

EXTENSIONS OF REMARKS

CRS REPORT ON HAMAS

HON. CHARLES E. SCHUMER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. SCHUMER. Mr. Speaker, I attach for the interest of my colleagues a revised edition of a report on the Hamas organization written by Congressional Research Service entitled "Hamas: The Organizations, Goals and Tactics of a Militant Palestinian Organization."

This report was previously issued under the misleading title, "Hamas: Freedom Fighters or Terrorists?" and diluted the avowedly terrorist nature of the organization.

This seemed especially inconsistent with our own policy particularly when this year, for the first time, Hamas was included in the State Department's list of terrorist groups issued in April 1993.

After inquiries by myself and the Anti-Defamation League, a human relations organization that combats anti-Semitism, and all forms of bigotry and discrimination, CRS gave assurances that the report would be revised.

I am gratified to note that CRS revisions addressed all the points brought to their attention by the Anti-Defamation League in its analysis of the report. The result is a more in-depth and accurate characterization of both the Hamas organization and U.S. policy.

This revised report reflects the high standard of the work Members of Congress have been able to consistently count on from the Congressional Research Service.

HAMAS: THE ORGANIZATION, GOALS, AND TACTICS OF A MILITANT PALESTINIAN ORGANIZATION

ORIGINS OF THE MOVEMENT

Hamas had its beginnings in 1967 as a wing of the Muslim Brotherhood.¹ In 1978, the same organization was registered with Israeli authorities as a nonprofit, religious organization under the name, "al Mujama," under the leadership of Sheikh Ahmad Yassin, who was also head of the Muslim Brotherhood in Gaza.² At first, the new organization spent most of its time promoting Islamic views and winning support for the Islamic movement in Palestinian institutions, universities and mosques.³

Hamas, as it is currently organized, was founded in December 1987 just when the intifada (uprising) in the occupied territories was starting. The Hamas agenda is based largely upon the principles of Islamic fundamentalism that were gaining momentum throughout the Arab world at that time. The goal of the founders was to become directly involved in the intifada and ultimately gain control of the Palestinian movement and bring it more in line with fundamentalist Islamic thought. Most observers believed that the outbreak of the intifada was a spontaneous event and the Hamas founders were

just one of many Palestinian opposition groups, including the PLO, that were vying to gain control of the demonstrations.

Hamas success in winning quick support among the Muslim population of the Gaza Strip and the West Bank was due in large part to its Islamic origins and its earlier activities as a religious and charitable institution. One observer tells how reports and instructions were often announced over mosque loudspeakers.⁴ The Israeli embassy says that, within a week of its publication in August 1988, the Hamas covenant was posted in mosques throughout the territories.

Part of the reason for Hamas success in gaining popular support may have been frustration among Palestinians living in the West Bank and Gaza stemming from the PLO's inability to make headway toward a solution of the "Palestinian problem." Muslims in particular were attracted to Hamas because of its identification with the Islamic fundamentalist movement which set it apart in many ways from the PLO.

SIZE AND ORGANIZATION

Little specific information has been made public about the actual size and organization of Hamas. Its supporters and sympathizers are estimated in the tens of thousands. It is generally known that the organization is structured along functional lines, with sections dedicated to military, religious, informational, and security activities, but the actual numbers of people assigned to any of the sections is not a matter of public knowledge. The command and control structure apparently took several years to finalize and was then changed because of losses of personnel and intense Israeli surveillance and security sweeps. Hamas has maintained its status as a religious and charitable organization. Its involvement with educational and social activities qualifies Hamas to receive donations required by Islamic law from the Muslim community (zakat). The Jordanian government allows Hamas to maintain offices in Amman and operate openly as a foreign political organization.⁵

Hamas is reputed to be a more efficiently run organization than the widely dispersed and heavily structured PLO with its organizational overhead and diverse activities. The Hamas share of religious donations is rising in relation to the PLO. According to some sources, a large amount of money is coming from devout Muslims in Saudi Arabia and the Gulf states who used to contribute to the PLO before it sided with Iraq during the Gulf war.⁶ Hamas also supported Iraq in the war but was much less conspicuous because it was so closely identified with the Palestinian population in the territories. Hamas wisely avoided open confrontation with Saudi Arabia and the Gulf states.

The military wing of Hamas is known as the Izz al Din Qassam Brigades, the force behind most of the violence and killings attributed to Hamas. The cells operate under the control of four or five relatively independent geographical commands. An Israeli journalist who follows Hamas closely estimates that the full time membership of the Qassam cells may be as few as 60 to 100 due to arrests and deportations over the past two years.⁷ That estimate seems low in view of the wide pat-

tern of Hamas attacks, but the secrecy of the Qassam cells make it very difficult to determine actual numbers. The cells are also thought to have become more proficient in disguising their operations and the size of their memberships.

Perhaps more important than the actual size of Hamas is the amount of support it has gained in the occupied territories. One observer tried to determine the level of popular support from the results of elections for seats on the councils of professional organizations such as engineers, doctors, lawyers, UN agencies, and the chambers of commerce for Hebron and Ramallah. During the 1990-92 period, Hamas candidates won an average of 30 percent of the seats in those elections which approximates estimates made on the basis of polls conducted by Arab newspapers and independent observers.⁸

Hamas is still making a strong showing in these elections, though it has sustained some personnel losses resulting from arrests and deportations. A report by Reuters in May 1993 said that Hamas won 10 seats compared to 16 for the PLO in an election held by a 5,000 member professional union in Gaza. Such elections are watched as indicators of public support because general or municipal elections are banned. Hamas usually has the backing of the Muslim Brotherhood in these elections. An Israeli author who follows the situation believes that Hamas has also been the beneficiary of alliances with other Islamic groups "that neither identify with nor support it."⁹ Estimates of overall support for Hamas are much higher in Gaza where the Muslim population is stronger in its support for the Islamic groups.

DIFFERENCES BETWEEN HAMAS AND THE PLO

Hamas has significant differences with the PLO. The ideology of Hamas is a synthesis of pan-Arab Islamic religious ideals and Palestinian nationalism. Hamas states its intent to establish an Islamic state in Palestine and its covenant draws heavily upon Islamic ideology and Quranic verses. The PLO charter, on the other hand, is a secular document with a call to Palestinian nationalism. Senior PLO officials have said that they will install a western style democratic form of government in an independent Palestine.¹⁰

Both charters say that Israel must be forced from all of what was known as "Palestine" prior to 1947 (the 1922 League of Nations mandate included what is now Israel, Jordan, and the occupied territories; the British later changed this to exclude the Kingdom of Jordan east of the Jordan River), and that armed force is the only way to bring that about—Hamas uses the term "jihad" or religious war.¹¹ However, in late 1989, the PLO changed its position in regard to a Palestinian state and expressed willingness to accept a state comprising the West Bank and Gaza in confederation with Jordan and the continued existence of Israel. It has since been negotiating indirectly with Israel on the basis of land for peace and UN Security Council Resolutions 242 and 338. Willingness to negotiate with Israel over territory is probably the most significant difference between the PLO and Hamas. It is possible, though by no means clear, that differences

Footnotes at end of article.

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

over the form of government could be negotiated.

Hamas relies heavily upon its use of violence. This is clear from the content of pamphlets regularly distributed throughout the occupied territories since the first month of Hamas existence. The pamphlets include statements such as: "increase attacks with knives, grenades, and guns against the cowardly Jews in their houses and turn the day into darkness and the nights into intolerable hell * * * view every Jewish settler as a target to be killed, whose blood and money are for the taking."¹²

Palestinians in the West Bank apparently favor the PLO over Hamas, but Hamas' popularity among Gaza's 750,000 Palestinians has grown over the past five years to a point where Hamas has seriously challenged the PLO for popular support. On several occasions armed clashes have broken out between followers of the two factions in that area. Most observers believe that should Hamas supplant the PLO as spokesman for the Palestinians in the territories, it would mean the end of the peace talks with Israel and open warfare between Hamas and Fatah.¹³

ATTEMPTS AT COMPROMISE

The PLO apparently believes that it has reason to feel threatened by Hamas because of the appeal of its fundamentalist Islamic ideology. On occasion, the PLO has attempted to settle its differences with Hamas or coopt the organization. Soon after the intifada started, Arafat attempted to include Hamas in a United National Command (UNC) formed by the PLO to exercise overall control of the uprising.¹⁴ Sheikh Yassin made a counter demand that Hamas be allotted a large share (reportedly 40 percent) of the seats on the Palestinian National Council and other governing bodies of the PLO. Hamas also insisted that the PLO change its platform to conform with the Hamas charter.

There have been periodic reports of agreement and cooperation between Hamas and the PLO, but it appears that their differences may be too wide to bridge. Apparently, there has been some cooperation at the tactical level, if reports are true that Hamas and PLO activities collaborated in several attacks on Israelis and Palestinians in the territories, but the attacks might also have been independent actions by local activities. Mohammed Nazal, a Hamas leader and its representative in Amman, Jordan, said recently that differences between the secular PLO and the fundamentalist Hamas are irreconcilable.¹⁵

Hamas has apparently staked much of its reputation on the fate of the peace talks, apparently believing that a breakdown or perceived failure of the talks would propel Hamas into the leadership of the Palestinian movement. It is also possible that signs of a breakthrough in the talks could foster changes in the Hamas position if it hopes to play a part in forming a government on the Palestinian side. Arab newspapers have reported that Hamas is already considering changes to its charter that would moderate its position regarding the talks and other issues between it and the PLO. These reports may well be premature in view of the continued hardening of the Hamas position and reports that it has threatened Palestinian delegates to the negotiations. Hamas argues that the representatives have no authority to speak for the Palestinian people.

TERRORIST TACTICS

There is no single definition of terrorism acceptable to all. Most definitions include,

but are not limited to the following elements: the calculated use of violence or the threat of violence against civilians and civil operations to achieve political goals through fear, intimidation, or coercion. It usually involves a criminal act, often symbolic in nature and intending to influence an audience beyond the immediate victims.

Hamas argues that it is at war with Israel and that its attacks have all been against military targets in Israel and the occupied territories. However, according to Israeli reports and U.S. press accounts, the victims of attacks claimed by Hamas have included not only uniformed soldiers but also Israeli civilians (some women and children), off-duty military and police personnel, and Palestinian civilians. The U.S. State Department concluded that: "various elements of Hamas have used both political and violent means, including terrorism, to pursue the goal of establishing an Islamic Palestinian state in place of Israel."¹⁶ In February, 1989, Hamas claimed responsibility when two Israeli soldiers were kidnapped and murdered in separate incidents while hitchhiking home from their posts in southern Israel. The body of one was recovered. More recently, December 13, 1992, an Israeli border guard, Nissim Toledano, was kidnapped near his home in Lod. The kidnappers claimed to be members of the Al Qassam brigade of Hamas and demanded the release of Hamas leader, Sheikh Yassin, from prison in exchange for the sergeants' release. The Sheikh made a public plea for the soldier's release, but the body of the victim was discovered two days later.¹⁷ Recent attacks claimed by Hamas against crowded civilian buses and random citizens at work or near their homes indicate that Hamas no longer attempts to argue that it attacks only military targets. On July 1, 1993, Hamas openly claimed responsibility for an attack against a Jerusalem public bus in which two women were murdered.

Hamas maintains that evidence linking it with the attacks is often no more than pamphlets found in the pockets of the perpetrators when they were killed or captured, sometimes days later, or that blame was affixed solely on the basis of inflammatory Hamas inspired graffiti on the walls near the scene of the attack. In the month before the borders were closed between Israel and the territories in March, 1993, fifteen Israeli civilians were killed in violent attacks by Palestinian Arabs. Pamphlets printed and distributed by Hamas found in the pockets of the persons who committed the crimes clearly urged the attacks. One pamphlet dedicated certain days "to stabbing settlers to avenge the blood of the martyrs killed by the (Israeli) special units." Another urged Muslims to consider settlers and other Jews as targets "which should be terminated."

Hamas also admits to having executed Palestinians accused of collaborating with Israeli authorities. A transcript of a training film allegedly made last summer by the Qassam Battalions tells how Hamas operatives kidnapped Palestinians accused of collaboration and then forced confessions before executing them.¹⁸ The film quotes a member of the al Qassam brigade as having said that any Palestinian who helps Israel against other Palestinians is "more of an enemy than Israeli soldiers." In June 1992, Amnesty International confirmed that 172 Palestinians "were killed, apparently by other Palestinians, some after being tortured; most were suspected of being collaborators with the Israeli authorities."¹⁹ The State Department says that nearly 200 Palestinians were killed by other Arabs in the

occupied territories in 1992, as opposed to 140 in 1991. However, the State Department made no attempt to assign responsibility to specific groups.²⁰

A SHIFT IN U.S. POLICY

In March 1993 the State Department announced that it had broken off informal contacts with Hamas representatives in Amman, Jordan. Media reports said that State Department policymakers believed that a limited dialogue with Hamas and fundamentalist organizations in other countries might add to knowledge of such organizations and possibly help solve crises like the stalemate over the Israeli deportation of suspected Hamas activists in December 1992. It came as a surprise to most that such contacts were taking place, in view of U.S. policy toward terrorism. State Department spokesman Richard Boucher announced that talks would be suspended with "people associated with Hamas." Mr. Boucher said that U.S. embassies maintained a variety of contacts with people to discuss the development of political Islam and Islamic currents in the Islamic world. He said that the talks with Hamas had not been a political dialogue, only contacts.

Events in the past year brought international terrorism more sharply to the attention of the American public. An illegal alien shot a number of CIA employees on their way to work at CIA headquarters in the Virginia suburbs of Washington, D.C. and then the New York Trade Center was bombed in February 1993. Americans were shocked that terrorism had come to the United States and that some immigrant groups in this country had ties to radical organizations overseas, particularly the Middle East. While there has been no public evidence that Hamas was involved in either the shooting or the bombing, the incident came on the heels of an Israeli warning several months earlier that Hamas was directing its operations in the occupied territories from command and control centers in the United States.²¹ The series of events prompted congressional hearings on the terrorist threat. In related actions, bills were introduced in both Houses that would statutorily identify Hamas as a terrorist organization and prohibit any of its officers from entering the United States.²²

The United States has taken a strong stand against Hamas because of its use of violence and its opposition to U.S. interests in the Middle East. There is added concern on the part of U.S. policymakers because of reports that Hamas is receiving support from Iran and is collaborating with its Lebanese client, Hizbullah.²³ The Hamas representative in Iran denied the PLO allegation that it had received \$30 million from Iran in 1992, but he acknowledged Iranian assistance to "Palestinian groups." There are few particulars about Hamas collaboration with Hizbullah; the inference is that Hamas militants have been given refuge in southern Lebanon where they receive training and support from Hizbullah guerrillas. The accumulation of evidence was persuasive enough to convince the State Department to add Hamas to its list of groups known to use terrorist means, issued in April 1993.²⁴

FOOTNOTES

¹ Article two of "The Covenant of the Islamic Resistance Movement," published August 18, 1988, uses the phrase "wing of the Muslim Brotherhood." Some observers believe that Hamas is actually the military wing of the Muslim Brotherhood, noting that Hamas members that have been deported from Israel are working closely with the Muslim Brotherhood in surrounding countries, collecting funds and recruiting new members from the larger organization.

² Sheikh Yasin was arrested in 1983 on weapons charges and later released. He was arrested again in 1989 for his alleged connection with the killings of several Israelis. He is still in prison.

³ "Jane's Intelligence Review" reports that in its initial stage, Hamas was actively promoted by the Shamir government in the hope that the Islamic organization would help weaken or undermine support for the PLO. ("Jane's Intelligence Review": "Hamas: An Assessment" by Paul Wilkinson, July 1993, pp. 313-14.)

⁴ See Clinton Bailey: "Hamas the Fundamentalist Challenge to the PLO," The Washington Institute for Near East Policy, Research Memorandum number nineteen, April 1992, p. 2.

⁵ "Patterns of Global Terrorism: 1992," op. cit.

⁶ See for example a report in the Washington Post, "Global Network Provides Money, Haven," August 3, 1993, p. A1.

⁷ See Ehud Ya'ari, "The Metamorphosis of Hamas," "The Jerusalem Report," January 14, 1993, p. 25.

⁸ Bailey, op. cit.

⁹ Ehud Ya'ari: op. cit. p. 24.

¹⁰ Jamal Khashoggi in al Hayat, April 23, 1993.

¹¹ The word "jihad" is an Arabic word meaning to exert effort. The effort need not be violent. The noun form of the verb has come through usage to mean "holy war."

¹² (Hamas leaflet 65, November 1990).

¹³ (Fatah, The Popular Front for the Liberation of Palestine, The Democratic Front for the Liberation of Palestine, and the Palestine Communist Party).

¹⁴ The UNC was to include all of the main constituent factions of the PLO See Bailey, op. cit., pp. 10-11.

¹⁵ Nasrawi, Salak. "Hamas Reconciliation Breaks Down." Associated Press, April 3, 1993.

¹⁶ "Patterns of Global Terrorism: 1992," op. cit., p. 37.

¹⁷ It was in response to this murder that Israel deported to Lebanese territory 415 Palestinians in December, 1992, most of them linked to Hamas.

¹⁸ New York Times, April 16, 1993, p. A31.

¹⁹ Washington Post, July 10, 1992, p. A14.

²⁰ "Patterns of Global Terrorism: 1992," op. cit., p. 18.

²¹ The FBI denied the thrust of the Israeli allegations about the command and control structure within the United States, but, according to a State Department official, Hamas has been openly involved in propaganda and fund raising activities in this country.

²² Identical bills submitted by Congressman Deutsch (H.R. 1279) and Senator D'Amato (S. 503) would amend the Immigration and Nationality Act to provide that members of Hamas be considered to be engaged in a terrorist activity and ineligible to receive visas and thereby excluded from admission into the United States.

²³ Hizbollah is a terrorist organization widely believed to have been responsible for the bombing of the Marine barracks and the U.S. Embassy in Lebanon in the mid-1980's and for the subsequent kidnapping and imprisonment of American citizens in that country.

²⁴ "Patterns of Global Terrorism: 1992," op. cit., p. 37.

REAL REFORM FOR REAL PEOPLE

HON. FORTNEY PETE STARK

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. STARK. Mr. Speaker, the health care reform debate officially began on September 22 when President Clinton presented the administration's plan to Congress and the Nation. The debate will likely continue for months, focusing on cost, delivery, access, providers, and any number of other weighty issues. These are all important, but health care reform is really about people—families facing serious illness, individuals who fear losing their health insurance, or the millions who have no health insurance at all.

Mr. Speaker, the difficult task before Congress is to develop and enact legislation that

encompasses the goals of universal coverage and cost control, but in simpler terms—it is to alleviate the fears and burdens of families like Tom and Kate Miles of Lusby, MD. The Miles family and the countless others across the Nation like them, take this health care reform debate out of the abstract. Their pain and anxieties are real and as we discuss market-based approaches, global budgets, and employer mandates—we must not forget Tom and Kate Miles and families all across the country just like them.

Most of my colleagues no doubt have received letters or heard the stories of real people like the Miles family. These individual stories remind us that we seek meaningful health reform to control costs so that we can provide more people with better health care.

LUSBY, MD, AUGUST 31, 1993.

Congressman PETER STARK,
Cannon House Office Building,
Washington, DC.

DEAR CONGRESSMAN STARK: I hope that you will take the time to read this letter, and be able to help our family. My name is Kate Miles, my husband Tom is a Sheet Metal Mechanic, and we have two children—Kimberly 10, and Robert 9.

Seven years ago when Robert was 2½ years old, he started having seizures. At times over the years he has had in excess of two hundred multiple types of seizures per day. Robert has been on every anticonvulsant medicine on the market, all have been unsuccessful at controlling his seizures. Due to the effect of the seizures on the brain, Robert is mentally retarded and at times unable to walk or talk.

At the time Robert first became ill my husband was a first year apprentice with the Sheet Metal Workers Local 100. Our insurance coverage with the union was 80 percent coverage with the 20 percent to be paid by the member. This coverage we were soon to discover is adequate if you are not suffering from a catastrophic illness.

During the first three months of Rob's illness we were unable to keep him out of the hospital for more than two weeks at a time. During that period we accrued in excess of \$250,000 worth of medical bills, thus our share was \$40,000.

As we were a struggling young two income family making \$20,000 per year we applied for assistance, only to be denied—because we were, "just over the maximum income allowed." Thus we were turned over to medical collections.

To make matters worse, after six months the insurance company stopped paying for an RN to come into the house to take care of Robert, so I was forced to quit working.

It was at that time it became impossible for us to pay our mortgage and foreclosure proceedings were started. Fortunately, we sold the house in time and took all the equity to pay off the medical bills.

We then had to find a place we could afford, now that we were a one income family—thus a move to the Eastern Shore of Maryland. The move required Tom to spend four hours on the road each day going to and from work.

Robert's illness made him uninsurable because he now had a preexisting condition, and we became all too aware of how important it was for Tom to keep his job. We knew if he lost his job or if his grades in the apprenticeship program were not passing, Robert would lose his insurance coverage.

After the move more admissions followed, and again the bills started mounting. It was

at that time that we applied for Children's Medical Services. Finally we were accepted for something. They agreed to pay the balance remaining on all bills—after the union had paid, on services pertaining only to Epilepsy. If it weren't for this organization we probably would have been homeless, due to having a child who suffers from a catastrophic illness.

Like most programs of this type, Children's Medical Services requires yearly renewal. We recently moved to a new home, one that is wheelchair accessible. Our renewal came due and we were denied services based on our income being in excess of the \$22,000 per year maximum.

We could make ten times that amount and it would not be enough. The union has paid out several million dollars on Robert already. Children's Medical Services only pays on Epilepsy related services, they are not Robert's only problems.

Robert has chronic ear infections, upper respiratory infections, and pneumonia, all requiring several trips to the pediatrician's office per month. We just purchased a special wheelchair for Robert at a cost of \$3,000. He needs new leg braces, cost \$2,000. He requires physical and occupational therapy, weekly lab work, as well as his anti-convulsant medicines that run approximately \$150 every ten days.

As if we don't have enough to worry about, we have recently been informed that Robert has used up \$150,000 of his \$250,000 of Major Medical in just six years. Robert is not going to be eligible for Medical Assistance for another nine years when he is eighteen. At the rate he is using his insurance, it is unlikely that it will last another nine years.

Due to a weak economy, Tom has been forced to work a four day work week for the past eleven months. To make matters worse, last month the Sheet Metal Workers Local 100 Health and Welfare Fund reduced and eliminated many of the benefits. We are now required to pay 50 percent of the Major Medical. Due to Robert's preexisting condition Tom is locked into his job, even if his employer cuts him back to a three day work week. The problems are never ending.

Robert does not have a terminal illness, the bills will not stop tomorrow or even the next year. We don't have much to look forward to.

Thus is the reason for this letter. There are thousands of families out there just like us, we meet them every time Robert is in the hospital. They are losing a roof over their heads because they have a child who has suffered a catastrophic illness. The government requires you to become completely dependent on them before they will give you any assistance.

These children want nothing more than to be healthy, nor do their parents want their child to be sick. We would welcome a normal life for our children where you can take trips together, instead of one that requires daily worry if your child will be admitted to the hospital and how you will pay for it.

This isn't fair to the children of families like us, they deserve better than this. Up until now there has been no help or even recognition of this terrible burden on our families, we have fallen through the cracks too many times. Time is running out, can you please help our families?

We feel that there should be some type of National Catastrophic Health Care Assistance program set up. It is our hope that you and the members of the task force will recognize this need in our country and incorporate this into your health care reform bill.

Sincerely,

MRS. KATE MILES.

LABOR REPRESSION IN CUBA

HON. LUIS V. GUTIERREZ

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. GUTIERREZ. Mr. Speaker, the deteriorating human rights situation in Cuba continues to demand the attention of men and women of good will everywhere. With the collapse of the Soviet Empire it became possible for the United Nations to begin to look in depth at Cuba. But to date, the Cuban Government has denied entry to the country to Ambassador Carl-Johan Groth, the United Nations Commission on Human Rights special rapporteur for Cuba.

Several human rights leaders are in prison for their work on behalf of human rights, but several Cuban independent human rights organizations, functioning under great difficulty in Havana, continue to call for help from the international community.

I would like to bring to the attention of the House a recent memorandum smuggled out of the island about labor repression and the firing and punishment of thousands of Cuban workers. It was prepared by Rafael Gutierrez Santos, leader of the independent Union Sindical de Trabajadores de Cuba—Labor Union of Workers of Cuba. Gutierrez Santos was released a few weeks ago from the notorious State Security Headquarters in Havana where he spent several months undergoing interrogation for his union work.

The denunciation was sent to the American labor movement, and to Freedom House, that translated it and made it available to me.

The statement prepared in Havana follows:

LABOR REPRESSION OF ALMOST 100,000 WORKERS IN ALL OF CUBA

La Union Sindical de Trabajadores de Cuba (labor union of workers of Cuba) independent union denounces and condemns the labor repressions employed against the workers by the so-called Organs of Labor Justice of Base. They applied these measures according to the anti-labor Decree law 132. During the period of seven months Sept-March 1993 almost 100,000 disciplinary sanctions were imposed on Cuban workers. They were: public warnings—10,022; fines of up to 25% of salary—3,358; suspension of up to 30 days—1,069; transfers for a year to another job—3,060; transfers pending assignment of a new position—850; firings—3,657; other measures—368.

We can see an increase of labor repression against the workers who are tired of the fact that their salaries do not amount to anything, of the great number of work centers and factories that have been closed, of the constant blackouts, of the black market, of the low standard of living, and of galloping inflation. The workers do not show either interest or motivation towards their employment because they earn only three or four dollars a month according to the underground market.

All of the above, together with the policy of betrayal by the official unions who serve as the foreman of the workers, results in a daily increase in the dissatisfaction of the workers. They are irritated by the continuing problems for which there are no solutions; and the government does not offer either short- or long-term answers.

The Labor Union of Workers of Cuba expresses its solidarity with these workers and

condemns the arbitrary measures that seek to please the government and to injure these heads of households. We invite all workers to become members of our union.

For the executive of La Union Sindical de Trabajadores de Cuba

RAFAEL GUTIERREZ SANTOS,
President.

ELIZABETH "LIBBY" BRENNAN
HONORED FOR PROVIDING 40
YEARS OF GOOD NEWS

HON. PAUL E. KANJORSKI

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. KANJORSKI. Mr. Speaker, I rise today to pay tribute to a very special member of the greater Wilkes-Barre community, Ms. Elizabeth H. "Libby" Brennan. Ms. Brennan will be honored on October 14 by the community she has served for more than four decades as the social editor of the Sunday Independent newspaper.

Libby has often stated, "I had one of the most enjoyable jobs anyone could have. My work was to dispense good news." As Libby went about her task of reporting the joyous happenings of the Wyoming Valley, she especially enjoyed following the happenings of the local children as they made their way into the world and made their mark, each in their own way.

Libby watched our valley change over the years after World War II and chronicled the accomplishments of each generation. Although she spent some time covering the cotillions and teas of the 1950's; Libby, a graduate of Penn's prestigious Wharton School of State and Local Government, was no stranger to the political scene and her list of political interviews reads like a world-class "who's who." Libby has interviewed some of the most renowned figures of her time, from the Kennedys to Barbara Bush, from David Brinkley to Audrey Hepburn—Libby's list of luminaries is endless.

Mr. Speaker, I am pleased to have this opportunity to speak about the outstanding career of this loved and respected journalist. We are honoring Libby Brennan, who has chronicled the lives of the people of Wyoming Valley for 40 years, in an effort to thank her for her contribution and insight into who we are. I am proud to be included in the list of her many friends and admirers.

"TRUST" IN THE MILITARY

HON. BENJAMIN A. GILMAN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. GILMAN. Mr. Speaker, I commend to my colleagues the following article by Al Santoli which appeared in today's Washington Times. Mr. Santoli, a distinguished combat veteran and author, raises a number of issues relating to the quality of our military forces which deserve our consideration. As we consider the future policy for U.S. participation in

U.N. and other multilateral peace keeping missions, Mr. Santoli's article is particularly relevant to that debate.

Accordingly, I request that the full text of Al Santoli's article, "The Destruction of the U.S. Military," be printed at this point in the RECORD:

[From the Washington Times, Oct. 14, 1993]

THE DESTRUCTION OF THE U.S. MILITARY

(By Al Santoli)

We are witnessing the rapid destruction of the U.S. military.

The arduous post-Vietnam rebuilding of a carefully designed, all volunteer force demonstrated its professionalism and integrity with quick-strike operations in Panama and Kuwait. That achievement is now becoming unglued in the halls of the Pentagon and the State Department. A new generation of defense Department "whiz kids" and politically-sensitive generals and admirals seem to have forgotten a primary lesson of the Vietnam era: The key ingredient for quality military service is "trust."

To maintain a dedicated defense force, young people in uniform must believe that our political and military leaders will not waste their lives on foreign battlefields for ill-defined reasons. It was a frightening omen in late summer that President Clinton vacationed at the home of Robert McNamara, the Vietnam-era secretary of defense whose over-reliance on statistics and technology led to the decline of the American military in Vietnam. At the same time, Mr. McNamara's former protege, Les Aspin, was refusing to send a handful of tanks to protect American forces in Mogadishu for fear of negative political spin in Congress.

Similar to the Joint Chiefs of the early 1960s, who years later condemned Mr. McNamara's "gradual escalation" policy in Vietnam, Gen. Colin Powell and his deputies refrained from publicly expressing their concern about Mr. Aspin's life-threatening policy decision—which resulted in the decimation of a U.S. Ranger company and elite Delta Force operatives—during numerous congressional testimonies. Nor did Gen. Powell express this concern at press conferences upon his retirement.

Today, in place of a Kennedyesque "New Frontier," there is a "New World Order." Our once-proud military people are being psychologically worn down in ill-conceived "nation-building" missions and humiliated by gangs of thugs in Mogadishu and Port-au-Prince. In addition, there are plans to send 25,000 U.S. troops to the killing fields of Bosnia. Soon, U.N. peacekeepers will be sent to Rwanda and South Africa. And U.S. Marine forces in California have been given notice, that they will be sent into the breach of civil war in Sudan, in what is officially being called a "CENTCOM Humanitarian Mission" for early 1994.

The Somalia operation thus far has cost more than \$1.5 billion, even before a U.S. aircraft carrier task force—which costs millions in fuel alone—was sent. In mid-1993, the expense of the Somalia operation nearly caused the Marine Corps to go broke. It was prevented by some quick scrambling by Pentagon budgeters to reimburse the Corps with funds from other depleted programs.

Marine Corps leaders privately worry that although they have been able to maintain their force structure, they lack a budget to support it. Cutting the Army in half from 20 to 10 divisions (salvaging just two active-duty light infantry divisions) will cause Marines to be increasingly deployed. This not only creates additional stress on Marines'

families, but it will cost much of the Corps' limited budget and deny necessary training for quality performance, ultimately costing lives.

During Desert Shield, the Army called up three Reserve mechanized infantry and armor brigades for active duty. After six months of intensive training and testing, none of these units were qualified for deployment. Given the speed and intensity of today's conventional battlefields, it is impossible for a Reserve combat brigade that trains one weekend per month and at most two weeks during the summer, to be able to survive a real-world conflict without a high number of casualties.

Almost surrealistically, the Army brass has agreed to permit 15 National Guard and Reserve brigades to become "rapid deployment units." Under the Pentagon's "win-hold-win" strategy for fighting two simultaneous major crises (such as in the Middle East and the Korean peninsula), limited active duty forces would fight one war, while out-of-shape reserves would be asked to "hold" the second front against a tenacious aggressor armed with massive conventional and chemical weapons. Given the likelihood of mass casualties, where would the U.S. replacement forces for either front come from?

Policy makers must realize that we may never see another conflict like Desert Storm. If our soldiers and marines become over-extended and worn down by numerous U.N. "nation-building" fiascos, they will not have the fighting spirit to perform well if our national security should become truly jeopardized.

In recent months, I have spoken to numerous young officers and sergeants who are bailing out of the military because of their lack of trust in their civilian and military leadership. They don't want to be "wasted." For the sake of our national security, we cannot afford to lose those quality future leaders.

In my book "Leading the Way," Marine Corps Col. Wes Fox, a Medal of Honor recipient in Vietnam, knowingly states: "Young Marines need to know that their leaders' first thought has been their well-being. They will then charge up the enemy's gun barrel for you in a moment's notice and never ask why. Marine volunteers put on the uniform knowing that moment might come. They aren't saying, 'Hands off, don't get me killed.' They're saying, 'Don't waste me.'"

INLAND EMPIRE PRAISES CITIZENS

HON. GEORGE E. BROWN, JR.

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. BROWN of California. Mr. Speaker, it is with great pride that I rise to pay tribute to a group of exceptional women who reside in California's 42d Congressional District which I represent. The people of the Inland Empire have chosen these women as citizens who have made outstanding contributions to the community. A luncheon will be held in their honor on October 25 at the Radisson Hotel in San Bernardino.

Mr. Speaker, I would not like to recognize Jane Boggess, Betty Bogan, Lois Carson, Linda Warsaw Champin, Deborah Cooper, Virginia De Blasio, Estella Delgado, Maryette

Ferre, Linda Fry, Marielena Garcia, Helen Herd, Margaret Hill, Lynn Hirtz, Bonnie Johnson, Cheryl Karns, Anita Lewis, Lenore Schon, Judith Valles, Juvenile Villar, and Beatrice Watson.

All of these women share a commitment to creating better neighborhoods, workplaces, schools, and an improved living environment for the Inland Empire. They serve as role models in their careers and in their service to the community. It is impossible to count the number of lives that have been touched by these women as a result of the outstanding leadership they have displayed in the Inland Empire. I am sure that each person who has known them is grateful for their involvement. They are an inspiration to us all.

TRIBUTE TO ELEANOR YOUNG

HON. DICK ZIMMER

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. ZIMMER. Mr. Speaker, I rise today in recognition of the retirement of Eleanor Young, a resident of Rocky Hill, N.J. Eleanor is a member of the Church World Service, an international relief, development, and refugee resettlement agency, which performs a myriad of good works for the homeless and hungry.

Since 1975, Eleanor has coordinated and organized the Church World Service's clothing drive. She is credited with collecting and distributing nearly 2 million pounds of clothing to the needy. In addition, she raised nearly \$860,000 for processing funds and the purchase of blankets for the homeless.

From 1975 to 1990, Eleanor also served as office administrator of the CWS office in Rocky Hill. She has provided many Church World Service leaders with materials, films, and videos that have enabled New Jerseyites to raise more than \$10 million over the 15-year period. Upon culmination of her work, Eleanor was the recipient of the regional director's exceptional performance award in recognition of her fine work at CWS.

Mr. Speaker, Eleanor Young serves as an inspiration to us all. With her deep commitment and boundless energy, she has managed to make a big difference in many lives of people who at one time or another needed her help.

I would also like to congratulate the New Jersey Church World Service/CROP organization on its 20 anniversary today and wish them many more anniversaries in the future.

TAIWAN DESERVES U.N. MEMBERSHIP

HON. CHRISTOPHER COX

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. COX. Mr. Speaker, I rise today to encourage my colleagues to support Taiwan's request to reenter the United Nations. As we know, the Republic of China was a founding member of the United Nations, but withdrew

from the United Nations in 1971. Over the last 23 years, the ROC has fully supported U.N. activities, and now is calling for readmission to the United Nations.

Taiwan has reaffirmed its peaceful intentions toward mainland China. The ROC assures us that it does not intend to interfere with mainland China's relations with other countries.

It is therefore my hope that mainland China will not oppose Taiwan's request for membership in the United Nations. The ROC's 21 million people deserve representation in the world body. Their rights and privileges as citizens of the world should be honored and protected.

Mr. Speaker, I am happy to support the Republic of China's interest in returning to the United Nations, and also would like to extend my congratulations to the Republic of China on Taiwan on the 82d national day of its founding. U.N. membership would be an appropriate way for the international community to recognize Taiwan's growing role in the global society of the 21st century.

A TRIBUTE TO THE REVEREND ROBERT L.T. SMITH

HON. BENNIE G. THOMPSON

OF MISSISSIPPI

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. THOMPSON of Mississippi. Mr. Speaker, I stand today to pay tribute to the late Rev. Robert L.T. Smith of Jackson, MS. He was a human rights activist, businessman, and mentor to many community leaders. Reverend Smith served as pastor of Oak Grove Missionary Baptist Church in Hinds County for more than 50 years. He motivated and organized church leaders within the General Missionary State Baptist Convention of Mississippi to encourage voter registration and to participate in nonviolent confrontations with local authorities during the segregation era.

Reverend Smith devoted time and financial support to a variety of civic and educational projects, including the NAACP. During the 1960's, he frequently provided bail money for students from Tougaloo College and other students arrested in civil rights demonstrations. In 1960, he became the first black congressional candidate from Mississippi since Reconstruction. His candidacy helped lead to the founding of the Mississippi Freedom Democratic Party and encouraged others to file landmark lawsuits to help African-Americans win political office. Rev. Smith worked closely with Dr. Aaron Henry, Mississippi NAACP president in challenging the FCC license of WLBT-television station that helped African-Americans become owners in the broadcasting industry in Mississippi and across the Nation.

Reverend Smith was also instrumental in the formation of various business ventures. He helped to form the State Mutual Federal Savings & Loan Association in 1955, which was the first African-American owned financial institution in Mississippi in modern times. He also served as a board member and officer of this institution for many years.

Reverend Smith was a charter member of Mississippi Action for Progress [MAP], the

second largest community-based Head Start Program in Mississippi and served as a board member from 1967 to 1991. MAP currently serves hundreds of disadvantaged children and brings thousands of dollars into Mississippi annually.

Reverend Smith was also listed in Newsweek magazine as one of "100 Most Influential Blacks in America" as well as being honored by the Mississippi Legislature for outstanding civic leadership. Reverend Smith was the widower of Annie Louise Mason Smith, to whom he was married for 65 years. He was the father of three sons and six daughters.

PLUGGING THE HOLES IN MANAGED COMPETITION

HON. FORTNEY PETE STARK

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. STARK. Mr. Speaker, we have begun the most important and far-reaching challenge that any of us are likely to face in our legislative careers—health care reform. The administration has unveiled a comprehensive plan to reform and restructure our health care system. And recently a bipartisan group of our colleagues introduced the Managed Competition Act of 1993. The two proposals have a number of similarities. Most notably, both rely on the untried and unproven theory of managed competition which was developed in Jackson Hole, WY by medical industry groups, large insurance companies and health maintenance organizations.

The bipartisan group on health reform says managed competition will control health spending, primarily by relying on market forces, creating regional health authorities, and expanding the use of HMO-type organizations. Listening to them, you might believe we can have it all, without much change or sacrifice.

It sounds good and it is reassuring to hear that we can have real health care reform with a little tinkering here and there, but it's not realistic. According to a Congressional Budget office report released in July, the managed competition approach actually would increase spending by \$214 billion. Controlling the costs of health care and providing equal access for everyone will require change.

Most Americans embrace the goals of universal coverage and cost control and we finally have an administration that is compassionate and committed to health care reform. It would be a shame to miss this opportunity, but it would be even worse not to get it right.

An article in the September 15th edition of the Journal of the American Medical Association [JAMA], concludes that major modifications will be required if managed competition is to control health expenditures and provide access to quality health care for everyone. The article is entitled, Holes in the Jackson Hole Approach to Health Care Reform. I urge my colleagues to read the following excerpts from the article:

[From JAMA, Sept. 15, 1993]

HOLES IN THE JACKSON HOLE APPROACH TO HEALTH CARE REFORM

(By Thomas Rice, PhD; E. Richard Brown, PhD; and Roberta Wyn, MPH)

Managed competition is synonymous with market-oriented health care reform. Those who coined the phrase, the Jackson Hole Group, have been identified, incorrectly, by the *New York Times* as the brain trust for the Clinton administration's reform proposal. Many medical industry groups have participated in developing the Jackson Hole version of managed competition, including major insurance companies, the American Medical Association, the Pharmaceutical Manufacturers Association, and large health maintenance organizations (HMOs). About the only significant interest groups that have not expressed support for the concept are those representing consumers. In this article, we critically assess the Jackson Hole Group's proposal to control health spending and provide access to quality health care.

Boiled down to its fundamentals, the Jackson Hole approach to managed competition requires three major changes in the US health insurance system. First, regional insurance purchasing cooperatives (HPCs) are formed to manage the marketplace for health care coverage, especially for small firms and individuals. Second, employers and HPCs contribute the same amount of money for coverage regardless of which plan a consumer chooses. This provision requires limiting the tax excludability of health benefits to the rate charged by the least costly qualified health plan, so that premium payments above that level would be with after-tax dollars. Third, to level the playing field among all health plans, new rules make it more difficult for plans to avoid enrolling high-risk individuals.

THE JACKSON HOLE APPROACH WILL NOT CONTROL HEALTH CARE EXPENDITURES

Jackson Hole advocates argue that their approach to health care reform will help control health care expenditures by making consumers more cost-conscious purchasers of health insurance and health care services. The Jackson Hole approach assumes that savings will be generated largely through greater enrollment in HMOs. Providers, in turn, will have to compete among themselves to be selected as members of health plans by charging less and/or providing services in a cost-effective manner.

There are three reasons, however, why the Jackson Hole approach is unlikely to succeed in controlling US health care expenditures: (1) consumers—particularly high users—will continue to purchase expensive health plans; (2) greater enrollment in HMOs will provide few savings; and (3) providers will continue to have considerable bargaining power in their dealings with health plans.

CONSUMERS WILL CONTINUE TO PURCHASE RICH BENEFIT PACKAGES

One of the central assumptions in this approach is that consumers will not readily spend their own (after-tax) dollars to purchase relatively expensive health care coverage. Embedded in this argument are two suppositions: consumers are responsive to premium differences among plans, and many will be satisfied with the minimum required set of benefits. Neither of these assumptions is likely to be true.

The economic evidence on how responsive consumers will be to differences in premiums is embodied by the economic concept of the price elasticity of demand for health insurance.

This is defined as the percentage of change in the amount of insurance purchased divided by the percentage of change in premiums. Admittedly, previous research on these elasticities provides only indirect evidence concerning the Jackson Hole approach because the latter is likely to result in a different set of insurance choices for consumers.

The literature reports a great deal of uncertainty concerning the magnitude of the price elasticity of demand for health insurance.

Thus, although consumers would be expected to respond somewhat to premium differences when choosing their health plans, the magnitude of this response does not appear to be particularly great.

Even if consumers as a whole were responsive to premium differences, this still might not result in substantial cost savings. This is because the people most likely to respond to premium differences are those who are relatively low users of service. One percent of the U.S. population is responsible for a full 30% of health expenditures; 2% account for 41%; and 10% are responsible for 72%. High users, who tend to have significant health problems, are likely to have a much stronger interest in staying with their current physicians. As a result, they would not be easily swayed to switch health plans even with the prospect of lower premiums. This is especially true of a switch to a group or staff model HMO—the health plan of choice for the Jackson Hole Group—where the patient is locked into the plan's own provider panels.

High users of health services will also be inclined to purchase plans with more comprehensive benefits, further undermining the Jackson Hole strategy to control total health spending. Alternatively, if benefits were completely standardized so that health plans could not include any extra types of benefits—as some Jackson Hole advocates, such as Enthoven, recommend—individuals could purchase supplemental policies (not unlike current Medigap insurance, which is owned by 70% of the elderly) to cover any gaps and, possibly, cost-sharing requirements.

No direct evidence is available to indicate the extent to which the public will wish to purchase benefits above the basic plan. The only research that sheds much light on this issue comes from the RAND Health Insurance Experiment.⁷ Although the experiment covered almost all services, copayments were required. Participants were asked whether they wished to purchase supplemental insurance that covered all or part of their out-of-pocket expenses; 60% said they would. There was also a substantial amount of adverse selection; families that anticipated facing higher health expenditures were much more likely to want to purchase supplemental coverage.

Under managed competition, the development of new technologies is likely to create further upward pressures on the benefits package. Although very discretionary and perhaps experimental services would not be covered, they could be obtained either by purchasing a more comprehensive health plan or by paying for these services directly with out-of-pocket dollars. Over time, however, consumers and providers will insist that many expensive new technologies and services be included in the basic plan for the simple reason that someone else will be paying the lion's share of the costs. Examples could include the dramatic—an acquired immunodeficiency syndrome vaccine or a drug treatment that slows the loss of mental

capacity or even reversed Alzheimer's disease—or the more pedestrian, such as ultrasonograms with better resolution.

The types of pressures that will be faced by government can be seen by examining the extent of state-mandated health benefits. State governments had enacted more than 730 mandated health insurance benefits by 1988. The same interest groups that were able to get state mandates approved are almost certain to fight hard to make sure that their particular type of coverage is included in any basic plan.

GREATER ENROLLMENT IN HMOS WILL DO LITTLE TO CONTROL EXPENDITURES

A common thread in the writing of the Jackson Hole Group and other advocates of managed competition is the reliance on groups or staff model HMOs. But there are several reasons why greater enrollment in HMOs will do little by itself to control health care expenditures. First, most people moving into HMOs will join independent practice associations (IPAs). In 1990, about 60% of individuals in HMOs were enrolled in individual or network model IPAs, and this trend is becoming more pronounced.

Between 1988 and 1990, 77% of HMO enrollment growth was accounted for by individual or network IPA plans. Available evidence concerning the cost-containing potential of IPA is mixed. Although recent findings reported in JAMA from the Medical Outcomes Study do report some cost savings, most other analysts, including the Congressional Budget Office, have found little evidence of savings.

Second, consumers who join group or staff model HMOs tend to be healthier; for such persons, managed care offers the fewest cost savings because they have less potential to need large volumes of services.

The Jackson Hole approach attempts to deal with any remaining problems of selection bias by "risk adjusting" contributions. That is, plans with sicker enrollees will get higher payments, although these proposals are silent on exactly what the formula would look like. Many efforts have been made to find factors that are good predictors of future utilization; one study reviewed more than 40 such efforts published through 1985. Factors examined include sociodemographic factors, some clinical and self-assessed health measures, daily activity limitations, and prior utilization and costs.

Third, although HMOs cost less than fee-for-service plans for a particular array of benefits, they have not been successful in controlling the rate of increase in health care expenditures. This has been shown to be the case consistently for the last 30 years.

Finally, in most parts of the country there is not a sufficient population base to support adequate HMO competition. Kronick et al., recently conducted an analysis that assumed that three competing health plans were necessary to ensure minimally adequate competition in an area. They found that only 42% to 63% of the population lives in areas that could support three or more HMOs. Jackson Hole proponents argue that in the majority of rural areas, managed competition would work through the use of flexible health plan arrangements (e.g., competition among small primary care facilities or among primary care providers). But they do acknowledge that there are settings, and in fact whole states (e.g., Wyoming and Montana), where the approach may not work and would need to be replaced by a "managed co-operation" approach.

PROVIDERS WILL CONTINUE TO HAVE CONSIDERABLE BARGAINING POWER

One of the linchpins of the Jackson Hole approach is that health plans will have considerable leverage over providers. Because it is assumed that plans that are too costly will not be chosen by consumers, the only way for plans to survive is to exercise strong bargaining power over provider groups. And since being a member of a health plan is the only game in town, providers will have to play ball or else lose most of their business. This scenario may not be realistic, however, for the following reasons.

First, if providers join multiple plans—which purportedly will be allowed under the Clinton administration's proposal—then plans will continue to have little effective bargaining power.

The second problem is that providers may respond to the formation of HIPCs by consolidating into larger practices to obtain countervailing market power. This appears to be what has occurred in Minnesota.

THE JACKSON HOLE APPROACH WILL NOT ENSURE ACCESS AND QUALITY

Advocates of the Jackson Hole approach argue that it will improve access and quality of care for several reasons: universal coverage would be assured, with the poor and near-poor receiving subsidies toward purchasing health coverage; insurers would no longer be permitted to deny coverage or charge more to people in poor health; more people would be offered a choice of health plans than currently have such a choice; and the poor could receive coverage from the same plans as the nonpoor. Quality would also improve as plans compete with each other to provide the best product, medical outcomes, and satisfaction per premium dollar. This kind of competition would be facilitated by requiring plans to disseminate information about these outcomes to prospective and current enrollees.

Conversely, it can be argued that access and quality problems would persist under managed competition. By relying on price competition among plans and providers, access and quality could be jeopardized through the segmentation of the market into two tiers. One tier would be composed of lower-income enrollees who, for economic reasons, were forced to join the least costly plan in an area; the other tier would include almost everyone else. A discussion of these issues follows.

LIMITED ACCESS FOR LOW-INCOME PEOPLE

Capping employer payments and government subsidies to health plans at the rate charged by the lowest-cost certified plan in an area would, in practice, restrict the lower-income population to these basic plans. This is not so much a problem in the existing programs that Jackson Hole advocates frequently point to—the Minnesota State employees program, CalPERS, the FEHBP, and other large public-sector employers—because nearly all employees in these groups are paid sufficient wages to afford some choice. The same cannot be said for people employed in low-wage occupations or industries.

Low-income persons are likely to have a difficult time finding plans in which they can enroll because few plans may choose to market themselves at the most affordable basic plan rates. This has been the experience with managed care in the Medicaid program. A recent survey found that only 22% of HMOs were participating in the Medicaid program; low participation rates by plans are due mainly to low premiums paid by

Medicaid, discontinuous Medicaid eligibility of enrollees and marketing problems.

In addition, people who can afford only a basic plan may have poorer access to health services and poorer quality care compared with more affluent persons. Although all plans would be required to provide a comprehensive benefit package, enrollees in basic plans may find it difficult to obtain many of the services that are covered by the plan. The more limited economic base of low-cost plans would restrict their ability to match the fees paid by higher-cost plans. Many providers would refuse to contract with low-cost plans, relegating enrollees in basic plans to a limited-access and sometimes lower-quality market niche similar to the situation in which Medicaid patients find themselves.

Plans would also vary in their access to specialty care and expensive technologies. More expensive plans, which middle- and upper-income people would have the resources to choose, are likely to provide somewhat easier or more timely referrals to specialists. Lower-cost plans, to which lower-income people would be limited, would be more likely to restrict use of such services even when they are necessary and effective or contract with specialists who are less experienced and less skilled.

These practices would be especially detrimental for persons with disabilities or chronic conditions who have low incomes and cannot afford more than the basic plan premiums. Most persons with disabilities have a "narrow margin of health" that "must be carefully maintained if medical problems are to be avoided." If inadequately or improperly managed, such conditions may deteriorate rapidly and result in otherwise avoidable hospitalization, as well as time lost from work or school, increased disability, or even death. Prompt access to a primary care practitioner who is knowledgeable about the multiplicity of factors that accompany a disability and that influence the person's health status is essential in order to avert major medical problems and rapid decline in functional ability.

The risks of such delays are likely to be higher in basic plans, due to the combination of financial incentives of capitation payment (which make each referral a cost to the plan) and the limited market choice of plans that may be available at the basic plan premium. There is considerable evidence, from research findings and anecdotal accounts, that low-income persons with chronic conditions do not fare well in managed care plans, such as HMOs. Primary care case management involves a physician or other practitioner coordinating care for a person, but it also makes the case manager the gatekeeper to control use of expensive services. The HMOs are likely to emphasize the gatekeeping role; they may delay or withhold referrals to specialists and other services that would cost the plan money out of its pool of prepaid premiums. Although specialty care and expensive procedures are undoubtedly overused, simply tightening the reins on utilization—whether by restrictive practices in HMOs or by imposing deductibles and coinsurance in fee-for-service plans—reduces use of appropriate and effective services, as well as inappropriate care. The greater need for services by people with chronic health problems often leads to considerable friction between them and their managed care plan.

POTENTIALLY POORER QUALITY HEALTH SERVICES

Jackson Hole advocates assume that HIPCs would be the guardians of both access

to health services and the quality of plans and services. Health plans must agree to report medical outcomes and other quality assessment data to the HIPC and the public. Such information can assure the quality of plans and medical care provided by plans only if the HIPCs have a strong interest in monitoring and enforcing standards and if the covered population has effective market choice among competing health plans.

An HIPC's costs would be determined by the new capita cost of the basic plan; its total financial liability would be limited to this per capita premium multiplied by the number of persons in the area. The quality of care and access available in basic plans would likely be secondary to their costs. Enforcing quality standards depends on the HIPC identifying those plans that do not comply and, for those that fail to improve, being willing to use a "club"—freezing the errant plan's enrollments or premium rates or terminating the plan's contract with the HIPC. But for the HIPC to be willing to terminate contracts with the lowest-cost plans would require the HIPC to pay a higher basic plan premium, a policy they would be more likely to adopt for a politically influential constituency than for the lower-income population that will predominate in the lowest-cost plans.

It is possible to pressure public agencies to take seriously the needs of enrolled populations. Oregon's Medicaid managed care program has avoided several of these problems through more rigorous enforcement of standards. But vigilant oversight is not the rule when it comes to low-income communities.

THE OVERALL IMPACT OF THE JACKSON HOLE APPROACH

We have described a number of specific problems with the Jackson Hole approach. Here, we provide a broader and more dynamic picture of how consumers, employers, and government are likely to be affected by the implementation of this model. The scenario we envision would look like the following:

For all of the reason discussed herein, the system will result in little if any savings in health care expenditures. (This conclusion is not just ours but also that of the Congressional Budget Office, which has stated with regard to the Conservative Democratic Forum's managed competition proposal [HR 5936], that "after a few years, [the bill] would leave national health expenditures at approximately the same level they would reach otherwise. Although expenditures are likely to continue to rise at the same rate as in the past, government's ability to subsidize health care purchases for the poor and near-poor probably cannot rise as fast as the overall increase in health care premiums. As a result, a major gap will quickly emerge between the plans being offered.

The lowest-cost plans in an area will tend to be ones that are the least desirable but which are the only ones affordable for the poor and near-poor. They will have limited provider networks that may be geographically inconvenient, provide only the most basic services required, provide the least choice of physicians and hospitals, make it difficult to obtain specialist care and new technologies, and have the least thorough quality assurance programs. We thus anticipate segmentation of the market for health plans and health services, with more costly plans providing more accessible and often better-quality services for their enrollees—in short, a continuation of two-tier medicine under the Jackson Hole approach.

By offering more prestigious physicians and hospitals higher payment rates than low-priced plans could afford and by making state-of-the-art technologies and services accessible, health plans that cater to the more affluent population would put upward pressure on health care prices and expenditures. Providers would tend to restrict their services to particular market niches, with most hospitals and physicians preferring to serve patients whose plans pay the higher rates and offer the most opportunity to provide state-of-the-art medicine. This pressure driving up the costs of more expensive plans will, in turn, drag up the costs of basic plans because they must buy services and labor from the same markets as the more expensive plans.

Such a scenario will have a number of undesirable consequences for consumers, employers, and government. Most consumers will see their out-of-pocket payments toward premiums continue to rise quickly. Since employer and government contributions would be linked to the lowest-cost plans, those opting for the higher-tier plans will have to pay for them with their own, after-tax dollars. Although this is one of the purposes of Jackson Hole reforms, the originators of the concept believe that included among the cheaper plans will be the Kaiser Permanentes of the world—high-quality, low-cost group or staff model HMOs. In contrast, we believe that such plans will end up competing for more affluent patients, leaving the poor and near-poor in plans that may skimp on quality.

This financial burden on those choosing to opt out of the cheapest plans will not only increase over time, it is likely to be very unpredictable. Because employer and government contributions will be tied to the lowest-cost plan in an area, out-of-pocket premiums for higher-end plans may jump wildly from year to year, depending on the vagaries of what one plan in a particular area decides to charge for basic coverage. If a plan lowballs its price to try to increase its market share, two things could happen: it may not provide what it promises to the less affluent people who choose that plan, and it will result in a ballooning of out-of-pocket premiums for everyone else living in that area.

Employers and government are also likely to be burdened under this scenario because they will find it difficult to control their own health care spending. As all health expenditures continue to rise, employer and government health spending would be pulled up. This will result in strong pressures to increase their contribution levels to the basic plans so that (1) the quality of the basic plans is acceptable, and (2) those who choose more expensive plans will not have to pay as much in out-of-pocket premiums. Such a dynamic would require increased taxation for subsidies or add to the deficit. It also would undermine employers' desires to stem rising health spending.

This dynamic results in large part from Jackson Hole advocates' heavy reliance on making people cost-conscious consumers of health plans in order to control the growth of health spending. Advocates propose to limit employers' contributions and the tax excludability of health benefits in order to make consumers bear an increased share of the cost for choosing health plans that are more expensive than the lowest-cost plan. Relying on enrollees' cost consciousness is a fundamentally weak strategy, in part because people, especially those who are in poorer health, are likely to buy additional

coverage to protect themselves from excessive costs when they need health services. In addition, the intense focus on controlling patients' demand for health services avoids addressing supply-side factors that are necessary to control the upward spiral of health spending. The central role of providers in stimulating demand for health services is a critically important focus for effective efforts to control expenditures—and it is a focus that is largely absent in the Jackson Hole approach.

CONCLUSIONS

This critique has focused on the potential problems of the Jackson Hole Group's managed competition proposal. Major modifications would be required to address these criticisms. Some of these—for example, imposing a global budget on HIPCs, limiting the amount of supplemental insurance consumers need and are allowed to buy, and regulating new investment in facilities and expensive equipment—would control expenditures more effectively. Others—such as subsidizing low-income people to purchase higher-cost plans—would enhance access to quality care. Some—such as capping the differential between the highest- and lowest-cost plans in an area or prohibiting plans from charging premiums in excess of a uniform rate set (or negotiated) and paid by the HIPC—would control expenditures and improve access.

The proposal by President Clinton's Task Force on National Health Care Reform incorporates some basic elements of managed competition but, wisely in our opinion, reportedly departs from the Jackson Hole approach in important ways. Among other departures from the Jackson Hole model, the President's proposal may include global budgets, allow HIPCs to be more aggressive negotiators with health plans and providers, and allow state options for all-payer rate setting and single-payer systems.

Any health care reform proposal, if it is to succeed as policy, must effectively control expenditures while improving access to health services and taking steps to enhance quality of care. At the same time, it will need to restructure health care financing in ways that are uniquely suited to the institutional and cultural complexities of American society while garnering enthusiastic popular support that can pressure a Congress, torn in different directions by special interests, to enact the reform. This is a tall order for any reform, and, in our analysis, the Jackson Hole approach does not meet the test.

TRIBUTE TO THE UKRAINIAN AMERICAN CLUB

HON. LUIS V. GUTIERREZ

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. GUTIERREZ. Mr. Speaker, I rise today to pay tribute to the Ukrainian American Club, which is the oldest existing Ukrainian club in the city of Chicago. I commend this ethnic organization for committing themselves to help people of Ukrainian ancestry assimilate into the American way of life while preserving their unique cultural identity.

The Ukrainian people have undergone many hardships in their mother country that forced them to emigrate to this country. In their hearts, the Ukrainian people desire to be free.

However, due to imprisonment, tyranny, and genocide, the freedom they have must be monitored by their fellow Ukrainian-Americans that have already come to America.

It is a sad fact of history that between 1932 and 1933, between 7 and 10 million people starved to death in Ukraine because of forced collectivization and grain seizures from the rural population by the government of the former Soviet Union. Unfortunately, it was not until rather recently, in 1990, that the central committee of the Communist Party of Ukraine acknowledged that the famine was artificially created by Stalin's policies.

Just this week, the House passed a resolution expressing the sense of Congress that the 60th anniversary of the Ukraine famine of 1932-33 should serve as a reminder of the brutality of Stalin's repressive policies toward the Ukrainian people.

An organization such as the Ukrainian American Club of Chicago is an excellent example of the type of outstanding community leadership that helps to provide a better life for every person of Ukrainian ancestry in our area.

This club, originally established in 1936, seeks to promote active involvement in education, community organizing, leadership, and pride in the United States. This organization also promotes the importance of religion in the lives of Ukrainian-American people.

Mr. Speaker, I would also like to commend the dedication and commitment to all Ukrainian-Americans of the club's president, Mr. John Horodecki and wish him and his membership continued success as an organization serving Ukrainian-Americans.

RECOGNITION OF DARES VIGIL

HON. DAVID E. BONIOR

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. BONIOR. Mr. Speaker, today, October 14, 1993, the Domestic Assault Rape Elimination Services [DARES] of Port Huron, Michigan is sponsoring their First Annual International Candlelight March and Vigil.

Because domestic violence victimizes millions of Americans and threatens all levels of our society, it is important to recognize it as a major social issue. Nationally, 3 to 4 million women become victims each year. In a single year, the DARES shelter services of St. Clair County, MI, provided safe haven to nearly 900 adults and children for over 3,000 nights.

On any given day or night, the folks at the DARES shelter services are devoted to meeting the needs of people who have no place to turn. But they also support initiatives designed to treat, prevent and educate everyone about this serious social problem. Tonight's vigil and march are an example of just two ways they are helping raise our community's awareness.

While we all look forward to a day when the DARES' services will be unnecessary, we must support their efforts in the interim. And so as the first Candlelight Vigil and March takes place in Port Huron tonight, I urge my colleagues to join me in expressing concern for the problem and hope for a future where

everyone can feel safe in their home and neighborhood.

THE TOWING VESSEL NAVIGATIONAL SAFETY ACT OF 1993

HON. W.J. (BILLY) TAUZIN

OF LOUISIANA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. TAUZIN. Mr. Speaker, I rise today to announce the introduction of H.R. 3282, The Towing Vessel Navigational Safety Act of 1993.

On October 12, the Subcommittee on Coast Guard and Navigation held a hearing to investigate the causes of two towing vessel accidents. The first occurred on May 28, 1993, when the towboat, *Chris*, hit the Judge Seeber Bridge in New Orleans, causing the bridge to collapse and resulting in the death of a 31-year-old woman and her unborn child. The second accident occurred on September 22, 1993, when the towboat, *Mauvilla*, hit the Big Bayou Canot Bridge in Mobile, AL, derailing Amtrak's Sunset Limited passenger train and causing the tragic loss of 47 lives. The subcommittee's investigation of the Amtrak Sunset Limited tragedy resulted in the prompt introduction of this bill.

It is obvious from the investigation of the Amtrak Sunset Limited tragedy that the operator of the towboat *Mauvilla* was lost in the fog when he hit the Big Bayou Canot Bridge. It was disturbing to learn that the *Mauvilla's* operator was attempting to navigate the tug without the benefit of a marine chart of the area being transited. But, it was unacceptable to learn that Federal regulations did not require the *Mauvilla's* operator to have a chart of the area on the vessel. For that matter, Federal regulations neglect to require towboats to be equipped with a compass, a radar, a fathometer, or any other navigational tool.

I introduced H.R. 3282 to require all towing vessels to carry the basic navigational tools which the vast majority of safe, responsible, towboat operators already consider as standard equipment. These tools include marine charts, navigational publications, a compass, a radar, and a fathometer. The bill will also ensure that licensed towboat operators can demonstrate proficiency using these tools.

The subcommittee's investigation raised questions about the adequacy of Federal marine casualty reporting requirements. H.R. 3282 will amend reporting requirements to ensure that the law requires a vessel operator who collides with, and damages, a bridge to immediately inform the Coast Guard of the accident. Prompt reporting to the Coast Guard of the Big Bayou Canot Bridge collision may have saved lives.

H.R. 3282 was written to support the Secretary of Transportation's announcement that he has directed the Coast Guard to review the adequacy and effectiveness of its manning and licensing requirements for the operation of towing vessels. The subcommittee encourages the Coast Guard to work closely with the towing vessel industry in reviewing manning requirements. H.R. 3282 requires the Secretary to report the findings of his review to the Congress.

Finally, H.R. 3282 looks to fundamentally improve safety and commerce on our inland waterways. The bill requires the Secretary of Transportation to report to Congress on the feasibility of establishing a differential global positioning satellite [DGPS] navigational system on our inland rivers. DGPS uses the same technology that allowed our troops to find their way, with pinpoint accuracy, through the IRAQI desert—even at night or during sand storms. The Coast Guard is applying DGPS technology to improve navigation in our coastal waters. This bill encourages the Coast Guard to adapt DGPS for use on our inland waterways as well.

The Amtrak Sunset Limited derailment was primarily caused by the human error of an individual towboat operator. Legislation can never eliminate the possibility of human error. We all make mistakes. However, this tragic accident was also caused by a system that failed to minimize the probability of human error. The Towing Vessel Navigational Safety Act of 1993 attempts to address the areas where the system failed, so that we might avoid a similar tragedy in the future.

REMARKS OF JANE HARMAN ON H.R. 3167

HON. JANE HARMAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Ms. HARMAN. Mr. Speaker, I agree with California's Governor Pete Wilson that passage of this legislation is critical to our State's 1.5 million unemployed. I submit Governor Wilson's letter for the RECORD.

SACRAMENTO, CA, OCTOBER 8, 1993.

Hon. JANE HARMAN,
House of Representatives, Washington, DC.

DEAR JANE: In early September, I wrote the President asking for his support for an extension of the federal Extended Unemployment Compensation (EUC) program. As you are aware, this program ended October 2, 1993, leaving thousands of Californians with no assistance beyond their 26 weeks of regular unemployment insurance (UI). I understand that the President supports the extension but that issues surrounding financing have caused delays in Congress.

As you know, California is faced with severe job losses which have been aggravated by its disproportionate share of military base closures and other defense related cutbacks. As of late September, one third of all UI payments made to California claimants were under the EUC program.

As I pointed out in my earlier letter, California employers cannot bear the cost of increased taxes to support a state extension of unemployment benefits. With California's current economic climate, any tax increase could result in further job loss and would hinder job creation. Job growth is key to helping California recover from this recession and the defense cutbacks.

I urge your assistance on this important matter. Relief is needed for the 1.5 million unemployed in California.

Sincerely,

PETE WILSON,
Governor.

HON. ROD GRAMS

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. GRAMS. Mr. Speaker, the Nation's rural electric cooperatives are the only segment of the utility industry to voluntarily develop a means test to determine eligibility for low-interest loans from the Rural Electrification Administration. H.R. 3123 reflects the nearly 1,000 member-owned electric cooperative's attempt to reduce their dependence on Federal assistance.

By comparison, the Nation's private power companies and municipal-owned utilities, which receive far larger Federal subsidies, continue to protect their Federal assistance.

While H.R. 3123 is a good measure, it doesn't protect rural electric cooperatives from municipal-owned utilities and private power companies who can lay claim to the very best loads served by the cooperatives. If Congress is going to increase the co-op's cost of money, then it should enforce provisions to protect those territories from municipal and private power companies who seek to enrich themselves at the expense of the rural electric cooperatives.

Loss of co-op territory is a major problem not only in Minnesota, but across the Nation. I again urge my colleagues to develop legislation to enact long-overdue territorial protection for the Nation's rural electric cooperatives.

TRIBUTE TO ANGELA RUSSO-ROPER**HON. HERB KLEIN**

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. KLEIN. Mr. Speaker, I rise to pay tribute to an unselfish and charitable woman, Angela Russo-Roper. Ms. Russo-Roper has chosen to dedicate herself to making northern New Jersey a better place to live.

Ms. Russo-Roper was born in Paterson, NJ, and began her education in the schools of Paterson. She went on to continue her education at Seton Hall University in South Orange, NJ, for her bachelors and law degrees.

Although most students are overwhelmed with heavy courseloads at both the undergraduate and graduate level, Ms. Russo-Roper found time to do extensive volunteer work for the Legal Services Clinic as well as many other organizations. Presently, despite a hectic schedule, she continues to assist the needy and gives her time to worthy causes.

For her valued service to the community, Ms. Russo-Roper is being honored by the Joseph M. Pizza Civic Association. I join with the organization and my colleagues in praising Ms. Russo-Roper, a good neighbor and citizen, for her dedication to the people of northern New Jersey.

EXTENSIONS OF REMARKS**IN TRIBUTE TO RINGWOOD, NJ****HON. MARGE ROUKEMA**

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mrs. ROUKEMA. Mr. Speaker, I rise today to pay tribute to the residents of the Borough of Ringwood, NJ who are celebrating the 75th year of the incorporation of the borough. The borough will celebrate their Diamond Jubilee with a month of activities, the highlight of which will be a "Great Day" at the Ringwood State Park.

The Ringwood area was first inhabited by the Leni-Lenape and Minsi Indians who utilized the area as a hunting and fishing ground. Dutch and English settlers arrived in the early 1700's.

Ringwood is perhaps best known for its contribution to the iron industry over the years. In 1742, the Ogden family of Newark erected a furnace and became the first mass producers of iron in the region. Ringwood was also the home of Robert Erskine, F.R.S., a Scottish engineer who was appointed geographer and surveyor general by Gen. George Washington in 1777. Erskine produced upwards of 250 maps which were used in the Revolutionary War effort.

Ringwood remained a major supplier of iron for almost 200 years supplying shot for the French and Indian War and iron for the Civil War, the U.S. Capitol Dome, and the Brooklyn Bridge. The mines were eventually sold to the U.S. Government for possible use during World War II. They were eventually closed in 1957.

Nestled in the woods of the Highlands region of northern New Jersey, Ringwood remains a tightly knit community of historic significance and natural beauty. Its reservoirs provide recreational enjoyment to local residents and supply drinking water for over one-quarter of the State's population.

Mr. Speaker, there is an old Scottish proverb that says when there is harmony in the community there will be stability in the nation. And when there is stability in the nation there will be peace in the world. Ringwood's Diamond Jubilee Celebration has been planned and executed by a group of dedicated volunteers who have committed themselves to providing a fitting remembrance for their friends and neighbors. Their efforts have brought a sense of harmony to the community Ringwood. I ask my colleagues in the House to join with me in wishing the citizens of Ringwood all the best for a successful celebration and another prosperous 150 years.

SAVINGS IN AMERICA**HON. LARRY LAROCCHIO**

OF IDAHO

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. LAROCCHIO. Mr. Speaker, the subject of the low rate of savings by Americans is one which I have addressed on this floor. I intend to continue to raise this issue as a matter of sound public policy.

The October 11 edition of the Wall Street Journal reinforced my concern in an article entitled "America's Low Savings May Blight Its Future." The article concluded with this statement: "Clearly, America's low saving rate must rise, and its huge budget deficits must fall. Otherwise, the country faces trade and investment problems for years to come." I submit the article for the RECORD.

AMERICA'S LOW SAVINGS MAY BLIGHT ITS FUTURE

(By Henry F. Myers)

At the recent annual meeting here of the National Association of Business Economists, two major addresses made clear the trouble lying ahead if the U.S. doesn't come to grips with its low saving rate and the way that problem underlies the country's trade deficits.

Many Americans cite the trade deficits, as much as anything else, as proving that the U.S. can't compete against many foreign rivals and should turn more protectionist to preserve its own industry. Are they right?

Not according to Robert T. Parry, president of the Federal Reserve Bank of San Francisco. "I do not think the trade deficit is due to lower wages, superior technology and 'unfair' trade practices abroad," he stated.

Comparative wage rates aren't the problem, he said, especially in view of the dollar's decline against other currencies since the mid-1980s. "Between the 1985 peak in the dollar and 1992," he explained, "U.S. unit labor costs rose at only 1% per year, while costs in Japan, France, Germany, Korea and Taiwan, for example, all rose at roughly 10% annually." Meanwhile, he added, "U.S. productivity had continued to keep pace and even exceed that in much of the rest of the world."

And as for trade barriers abroad, Mr. Parry noted that "between 1981 and 1987, when the deficit was at its peak, the deterioration in our trade position was pervasive," spread uniformly across so wide a range of goods that only "an unlikely conspiracy" could have caused such slippage. He added that "the Japanese market has become somewhat more open—not more closed" and that "even if existing foreign restrictions on U.S. exports were completely removed, most estimates suggest we'd reduce our trade deficit by only modest amounts." Successful pressure to open up specific foreign markets would tend mostly to shift the location rather than the amount of the trade deficits.

But if America's trade deficits, which include investment flows, can't be blamed on a slump in U.S. competitiveness, why do they persist—apart from the fact that the U.S. economy is temporarily stronger and thus importing more than its rivals?

The problem, Mr. Parry said, is that national saving—the sum of personal and business saving minus government deficits—lags behind investment.

The saving-investment imbalance was also deplored by Martin Feldstein, a Harvard economist and president of the National Bureau of Economic Research. "A trade deficit," he told the NABE meeting, "is not an indication that a nation has low productivity or low-quality products. It is an indication that the domestic investment rate is high relative to the rate of saving." The "basic accounting identity," he added, is "that the trade deficit equals the excess of investment over saving. . . . We inevitably have a trade deficit if we as a nation spend more on investment than we save to finance that investment." The trade deficit provides the capital to pay for the extra investment.

Mr. Feldstein observed that Mexico's trade deficit, running more than 6% of gross domestic product, "is a sign of vigor," reflecting "the strong rate of investment in the Mexican economy and the willingness of foreign investors to finance that investment." By contrast, the U.S. trade deficit is due to a very low saving rate. "In recent years," Feldstein noted, "the U.S. net national saving rate has been an incredibly low 3% of GDP. Without a capital inflow, net investment would be limited to the same 3% of GDP, not enough to keep up with the growth of the labor force."

Moreover, he said, industrial countries tend "to return to trade balance or near trade balance. While temporary changes in the national savings rates are generally offset" by international capital flows, even the huge sums now sloshing around global markets won't permanently bridge America's saving/investment gap.

Noting that "the net saving of a country tends to stay in the country where it originates," Mr. Feldstein added that the "differences in saving rates among countries that persist for a decade or more cause corresponding changes in domestic investment."

So, Mr. Feldstein concluded, America's real problem in the 1990s "is not the possibility that the current trade deficits will grow but rather the risk that the combination of a continued low saving rate and a small trade deficit will keep investment exceedingly low." The U.S. could finance its low investments in recent years because the commercial-real-estate glut has slowed building, but Mr. Feldstein warned of a possible capital shortfall when construction rebounds.

Mr. Parry praised "the current plans for reduced federal budget deficits" as a step "in the right direction" because they will tend to raise the national saving rate by reducing government "dissaving." But will government deficits drop enough or private saving increase enough to meet America's future investment needs without a continuation of huge trade deficits that are setting off political discord at home and abroad?

In a recent commentary, Mickey D. Levy, chief financial economist at Nations-Bank, wrote that the Clinton budget plan "will reduce the [budget] deficit—although not as much as projected"—but it also "will reduce private saving" through higher taxes "and not materially raise the national rate of saving." And because it doesn't change "the rising share of federal outlays for consumption-oriented entitlement programs," Mr. Levy believes "its impact on private investment will be neutral at best."

Clearly, America's low saving rate must rise, and its huge budget deficits must fall. Otherwise, the country faces trade and investment problems for years to come.

TRIBUTE TO AIPAC

HON. BOBBY L. RUSH

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. RUSH. Mr. Speaker, I rise today to pay tribute to the American Israel Public Affairs Committee [AIPAC] of Illinois as they prepare to convene a major community event in the city of Chicago on Monday, October 18.

At a time when destructive voices in America are rising up to antagonize and divide peo-

ple along racial, class, and gender lines, AIPAC is continuing its 40-year mission of fellowship and dialog by bringing together more than 400 of its members and friends with the Illinois congressional delegation in an informal setting where ideas may be exchanged and a mutual sense of common ground may be found.

I applaud the important work of AIPAC to support the preservation of the State of Israel, a mission which has been greatly enhanced in recent weeks thanks to the historic agreement negotiated by Israeli Prime Minister Yitzhak Rabin and PLO Chairman Yasser Arafat. After witnessing the breathtaking signing of the peace accord and historic handshake between these two world leaders, I am optimistic about the opportunity for permanent peace in the Middle East and, hopefully, throughout the rest of the world. My hope is that the leadership that AIPAC and other organizations of good will have shown throughout the years might now begin to be turned inward and be focused on Chicago. All of us must address the very real problems we face today of senseless violence, poverty, decay, and a general feeling of hopelessness that pervades key parts of our community, especially among our young people.

I look forward to continuing to work with AIPAC and others to bring another kind of lasting peace to the streets of Chicago. I trust that AIPAC's October 18 event will be a welcome respite en route to that goal.

MARITIME MAGIC II CELEBRATES THE ENROLLMENT OF THE 100,000TH YOUTH INTO ITS PROGRAM

HON. HELEN DELICH BENTLEY

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mrs. BENTLEY. Mr. Speaker, my fellow colleagues, I rise today to commemorate the Living Classrooms Foundation for the enrollment of the 100,000th youth in its program. On October 16, 1993, the foundation will be holding Maritime Magic II, which celebrates this milestone in the organization's short history.

In a time when our inner cities are plagued with crime and violence, and role models are in short supply, it is refreshing to know the Living Classroom Foundation is filling in many gaps that society has left void. It has established a variety of education and job training programs which have created a positive future for indigent youth. I am proud to say the Living Classroom Foundation has lived up to its goal of changing the lives of at risk and disadvantaged children by teaching them hands-on skills and a sense of self worth.

An excellent example of the Living Classroom Foundation's many accomplishments is the 9-month Fresh Start Program. Through the Fresh Start Program, teenagers are trained in marine industry trades such as boat carpentry, motor repair and boat handling.

Charles Spann, a recent graduate of Fresh Start, now has direction in his life and is able to pass along his new sense of confidence and self-esteem to others. At age 15, Mr.

Spann was charged with multiple drug offenses and sent to Charles Hickey School Correctional Center. The only role models in his life were drug dealers who paraded the streets with their fancy clothes and cars. Through the Fresh Start Program, he was taught marketable skills, and learned how to work as part of a team. In a Baltimore Sun interview, he says, "It was the people and close-knittedness, it was like a little family" that transformed him.

After graduation from the Fresh Start Program, Mr. Spann was named president of Tico Enterprises, a subsidiary of Living Classrooms, in which Fresh Start graduates can hone their vocational skills while learning about business and gaining a sense of empowerment. In less than a year, this organization has built a floating dock for the Baltimore City Rowing Club, restored and resold a number of donated boats and sold thousands of soap dishes through recycled wood. Mr. Spann since has met President Clinton, traveled to Canada to promote 250 Body Shop franchise owners and has appeared on television news shows. In another Baltimore Sun article, Juvenile Services Secretary May Ann Saar says of Mr. Spann, "He is a living example of the fact that it doesn't matter how far down the road a youngster goes. If you work with him and find the right combination of things that mean something to him, you're going to be changing his life."

Through its innovative hands-on education and job training, the Living Classroom Foundation has provided a positive role model for our Nation's youth. They have steered many youngsters in the direction of success and helped them make a meaningful and successful impact on our society. The Living Classrooms Foundation should be proud of its many accomplishments.

Mr. Speaker, my fellow colleagues, I congratulate the Living Classroom Foundation on the Maritime Magic II celebration in recognition of the enrollment of the 100,000th youth in its program.

GOVERNMENT NEEDS BETTER MONEY MANAGEMENT

HON. TERRY EVERETT

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. EVERETT. Mr. Speaker, I would like to share a recent letter from one of my constituents, Charles H. Grafton of Newton, AL. Mr. Grafton, I think, very accurately pinpoints the source of our Federal red ink problem. It is not a shortage of tax revenues but a lack of Federal fiscal management skills which is bringing down this country.

Every person I speak with agrees that in their lifetime things have progressively grown worse. Education, jobs, crime, health care, quality of life, all have grown worse with time. If you listen to the politicians their single solution to all of these problems is more money.

With each passing year, we give more and more of our hard earned dollar and see fewer and fewer results. How can this be? What exactly is going wrong? Why doesn't the more

money theory work? It's simple, lack of money is not the problem, the poor management of it is.

There has to come a time when we stop taxing and start managing. This is an absolute must. There are only one hundred pennies in each dollar. The government is taking more than fifty of them now and steadily figuring ways to take more. What happens when they are finally getting all one hundred. You say that will never happen. I say, have you seen a year go by that they have not figured a new way to get some more out of your pocket?

I asked an accountant if he could name a single tax that was not eventually passed on to the consumer. He could not. I then asked why we had the tax system we have rather than a straight, flat rate income tax? He thought for awhile and finally came to this conclusion. "It is true that all taxes eventually are passed on to the consumer and it does seem to make more sense to have a flat rate income tax rather than the complicated tax structure we endure today."

"However, if this were the case, every citizen would then be able to see exactly what his or her tax liabilities actually are and no one in government wants you to know that."

With this in mind it then seems that the entire tax structure is merely a facade which has been constructed over the years to enable politicians to creatively remove more money from your pocket while making you believe it is coming from someone else.

The facts are there for all to see, whether you want to believe them or not is up to you. Politicians must be made to understand that we can no longer afford their money wasting management of our government. We are fast approaching the point where there will be nothing left in the earned dollar to tax. When this happens who knows what the end result will be?

TRIBUTE TO PROF. RALPH W. JOHNSON ON THE OCCASION OF HIS 70TH BIRTHDAY

HON. JIM McDERMOTT

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. McDERMOTT. Mr. Speaker, I rise in recognition of Prof. Ralph W. Johnson, who celebrated his 70th birthday on October 11, 1993. I would like to pay tribute to this extraordinary man on that very special day, and I want to share with my colleagues some of the outstanding contributions that Professor Johnson has made to Seattle, the State of Washington, and our Nation.

Ralph Whitney Johnson is a lifelong public servant, teaching and advocating on behalf of environmental matters and the causes of Native Americans. A distinguished member of the faculty of the University of Washington Law School since 1955, Professor Johnson has influenced literally thousands of students who took his Water Law and Federal Indian Law courses. He also has served as a visiting professor at Harvard and UCLA Law Schools, among others.

He has served with distinction on numerous commissions and panels, including the National Academy of Sciences, the National Science Foundation, the National American Indian Court Judges Association, and the Na-

tional Center for State Courts. He has acted as chief consultant to the U.S. Senate Committee on Interior and Insular Affairs, and as consultant to the U.S. Senate Select Committee on Indian Affairs, to Federal, tribal, and State court judges associations, and to the States of Washington and Alaska on both environmental and Native America matters.

Professor Johnson is a prolific author. His works include coauthorship and editorship of the seminal Indian law treatise, Cohen's Handbook of Federal Indian Law—1982, and coauthorship of Cleaning Up Europe's Waters, Justice Douglas & the Indian Cases, and Ocean & Coastal Law. He has authored countless articles and reports, including several influential studies of the public trust doctrine and its role in contemporary water law. His work often has put him on the cutting edge of policy developments in environmental and Indian law.

Ralph remains an inspiration to his students at the University of Washington Law School, who respect his genuine dedication to the subjects he has pursued as a scholar. Professor Johnson is an avid skier and fly fisherman, and a member of the American Alpine Club. On the occasion of his 70th birthday, on October 11, 1993, friends and family gathered to honor him for his years of commitment, integrity, and leadership in teaching and public service.

In conclusion, I hope that each of my colleagues will join me in congratulating Ralph Whitney Johnson on his 70th birthday and commending him for his immeasurable contributions to the preservation of our environment and the rights of Native Americans. He is a mentor and model to all who share his commitment to justice. May we continue to benefit from his good counsel for many years to come.

THE FOB LOOPHOLE

HON. GERALD B.H. SOLOMON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. SOLOMON. Mr. Speaker, this morning's Wall Street Journal carried an editorial entitled "The FOB Loophole." FOB stands for Friend of Bill.

The editor's proceed to point out the antibusiness, and pro-Hollywood provision in the President's budget.

As many will remember, the President's budget contains a provision limiting the deductibility of compensation exceeding \$1 million paid to chief executive officers. However, as the Journal points out, the tax only applies to business executives and not to entertainers or athletes.

"Viewing business as an inherently suspect enterprise and business people as potential looters, if not watched closely, Mr. Clinton's tax code wades into the market for executive salaries." Where is the fairness?

The President's budget and his politics show that a lot of Hollywood celebrities and far fewer chief executives are certifiable friends of Bill.

[From the Wall Street Journal, Oct. 14, 1993]

THE FOB LOOPHOLE

It somehow caught our eye that Barbra Streisand will pick up \$20 million for two days' work at the MGM Grand Casino in Las Vegas. We've never objected to anyone collecting what the market thinks she or he is worth, but we do recall that Ms. Streisand is a certified Friend of Bill. And we somehow doubt this will provoke a denunciation of "greed" of the sort the President and his wife have leveled at doctors, insurers and drug manufacturers. Indeed, Ms. Streisand and similarly situated FOBs enjoy a privileged position under the new tax code Mr. Clinton has imposed as penance for the Greed Decade.

Certainly \$20 million in loot qualifies her as "rich," and thus she'll be called upon to pay her "fair share." But at least MGM Grand Inc. gets to deduct her compensation as an ordinary business expense, taking her \$20 million off its gross receipts before paying taxes on whatever net is left. That's presumably because in the moral universe of the Clinton tax code, warbling tunes for Vegas high rollers qualifies as work of redeeming social value.

For certain more suspect lines of employment, pay can no longer be deducted as an ordinary cost of business, at least if over a year it adds up to 1/20th of what Ms. Streisand takes for a couple hours of work. MGM Grand can deduct whatever it decides to pay her, but it can't deduct more than \$1 million of whatever it pays its top five executives.

As it happens, these folks don't make anything like what Ms. Streisand does. President and CEO Bob Maxey has base pay of \$525,000 a year, and Chairman Fred Benninger gets \$610,000. You could argue that it's different because they set their own salaries, but they don't. They report to a board dominated by majority shareholder Kirk Kerkorian, not known as a blushing-violet negotiator.

What Mr. Clinton's tax law really means is that Mr. Kerkorian can be more generous with Ms. Streisand than with Mr. Maxey or Mr. Benninger. Or if you turn it around with a few envelope-back calculations, Ms. Streisand gets a lower true tax rate on what Mr. Kerkorian has to shell out.

On her MGM earnings, she will face something like an effective tax rate of 39.6%, and give Mr. Clinton's tax collectors about \$8 million. If Mr. Kerkorian decided an executive was worth \$20 million gross, the combined corporate and personal tax on this amount would come to some \$12 million, an effective rate of 60%.

Despite everything, Mr. Clinton understands that companies must be able to offer competitive salaries for executives, and thus permits a loophole for "performance-based" compensation. So there's no special penalty for stock options. Mr. Maxey holds options on 160,000 MGM Grand shares, and Mr. Benninger holds 150,000. It's doubtful that they make anything like Ms. Streisand's yearly compensation, let alone hourly rate, for success in increasing shareholder value.

So let's take a moment to deconstruct: Viewing business as an inherently suspect enterprise, and business people as potential looters if not watched closely, Mr. Clinton's tax code wades into the market for executive salaries. It is prima facie evidence of corruption or social grossness if managers earn too much, though we're not exactly sure how the moral fault line came to be precisely a million dollars.

Happily, the former Governor of Arkansas has divined a way to keep business leaders

from resting on their duffs, by harnessing their "greed" for socially constructive ends. But no such special scrutiny is needed for someone who makes more than a million serenading lounge lizards or hitting baseballs.

We're not sure we understand the morality here. What we do understand is that a lot of Hollywood celebrities, and far fewer chief executives, are certifiable FOBs.

THE LIMITATION OF THE DENIAL OF EXECUTIVE COMPENSATION—H. CON. RES. 118

(Introduced by Representative Gerald B.H. Solomon)

The President's budget provision limits the deductibility of compensation exceeding \$1 million paid to chief executive officers.

However, this new tax preference applies only to the chief executive officers and the four other highest compensated officers in publicly held corporations and not to any other highly compensated individuals.

President Clinton, himself, claimed that the intent of this proposal is "to encourage corporations to focus more clearly on their compensation policies and to shift business spending from excess pay to investment."

Formulating law in response to public scrutiny and criticism is poor public policy and ignores both the policy implications and the budget realities of economic legislation. Furthermore, it is a blatant attempt to further entangle class warfare with the federal tax code.

This limitation provision directly penalizes the business and corporate sector of our economy while leaving the entertainment and athletic industries unscathed.

Tax laws such as this seek to restrain that sector of the economy that reinvests its funds, creates new jobs and spurs economic growth. Corporate executives are far more likely than entertainers like Madonna and professional athletes under George Steinbrenner to invest their compensation in stocks and other economically productive investments.

In response to this affront to business and to tax fairness, I have introduced a Sense of the Congress resolution stating that if this provision must be a part of the budget that it should be expanded to include athletes and entertainers.

If this anti-growth, anti-jobs measure must be part of the President's budget proposal, it should at least be applied in an equitable manner.

This will eliminate this tax preference for Hollywood and the athletic industry and hit those portions of the high income category more likely to engage in superfluous spending than in job creation.

CUBA'S STATUS ON THE LIST OF STATE SPONSORS OF INTERNATIONAL TERRORISM

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. HAMILTON. Mr. Speaker, on May 13, 1993, I wrote to Secretary Christopher concerning the placement of Cuba on the list of state sponsors of international terrorism. Specifically, my questions centered on what evidence existed of Cuban support for international terrorism meriting its inclusion on the list of state sponsors of international terrorism.

On October 6, 1993 I received a reply from the Department of State. The text of the correspondence follows:

COMMITTEE ON FOREIGN AFFAIRS.

May 13, 1993.

Hon. WARREN H. CHRISTOPHER,
Secretary of State, Department of State, Washington, DC.

DEAR MR. SECRETARY: I am writing to follow up on my letter of February 26, 1993, regarding the annual determination of countries which support international terrorism.

Subsequent to your response of March 26, 1993, the Committee staff was briefed by representatives of the Office of Combatting Terrorism on the rationale for the inclusion of the six countries currently on the list of state sponsors of international terrorism pursuant to section 6(j) of the Export Administration Act. I have read a summary of the briefing and would like to know what is the evidence regarding Cuba's support for international terrorism which lead you to the conclusion that Cuba supports international terrorism and should remain on the 6(j) list.

Therefore, I would request that the Department provide to the committee in writing, in a classified form if necessary, all evidence of Cuban support for international terrorism which was used in determining that Cuba should remain on the 6(j) list in 1993.

Thank you for your attention to this request.

With best wishes.

Sincerely,

LEE H. HAMILTON,
Chairman.

U.S. DEPARTMENT OF STATE,
Washington, DC, October 6, 1993.

Hon. LEE H. HAMILTON,
Chairman, Committee on Foreign Affairs, Washington, DC.

DEAR MR. CHAIRMAN: I am writing in response to your May 13 letter in which you requested evidence of Cuban support for international terrorism which was used in determining that Cuba should remain on the list of "State Sponsors of Terrorism". I regret the delay in responding to you, but I wanted to ensure that you received a helpful response.

As you know, Cuba was placed on the list in March, 1982 when Havana significantly increased aid to terrorist groups in the region. At this time, we have not been able to determine to our satisfaction that the Government of Cuba is committed to ending support for terrorism. Placement on the Terrorism List is not limited to acts of terrorism or direct support thereof, but also to support to and safehaven for groups which engage in terrorism. The decision to keep Cuba on the list was based on the following factors:

Castro publicly announced in January 1992 that Cuba would no longer provide direct financial assistance to guerrilla movements, but has not renounced political support for these groups. Reports indicate that Cuba continues to host militants for study and training.

We believe Cuba continues to harbor Latin American terrorists. Reports as recently as April 1993 indicate that active members of Latin American terrorist groups reside in Cuba. One report indicates that Chilean terrorists, who escaped from prison in Chile in 1990, were in Havana.

Offices of guerrilla groups like the Revolutionary Armed Forces of Colombia (FARC) and the Colombian National Liberation Army (ELN) continue to operate in Havana.

There is also no indication that terrorists given safehaven in Cuba as early as 1982 have left.

Cuba continues to maintain contact with Latin American guerrilla groups who have used terrorism.

Although Cuba has adhered to UN-mandated sanctions against Libya, it has not moved to limit Libyan diplomatic representatives, as required by mandatory UNSC resolutions.

Only when we are satisfied that all forms of Cuban support for international terrorism have ceased will we be in a position to recommend to the President to exercise his statutory rescission authority in accordance with the advance Congressional notification procedures of the Anti-Terrorism and Arms Export Amendment Act of 1989 (P.L. 101-222).

I hope the above information is helpful to you. Please feel free to contact me again if I can be of further assistance.

Sincerely,

WENDY R. SHERMAN,
Assistant Secretary, Legislative Affairs.

GREATER MCFARLAND, CA, CHAMBER OF COMMERCE HONORED

HON. CALVIN M. DOOLEY

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. DOOLEY. Mr. Speaker, I rise today in recognition of the Greater McFarland, CA, Chamber of Commerce.

The Greater McFarland Chamber of Commerce was officially incorporated by the State of California in 1990 as a nonprofit organization to further business enterprise. It was organized to advance the general welfare and prosperity of the greater McFarland area so that its citizens and all areas of its business community would prosper. It has continued to grow and meet the needs of the area's economy.

The Greater McFarland Chamber of Commerce will be holding its first annual awards banquet on October 16, 1993. During the banquet it will be honoring some of its finest citizens, including: Chuck Torres, Citizen of the Year; Luther Atwell (L.A. Tire) and Maria Chaez (Maria's Pizza), business award winners; Jerry Davis and Don Davis of Alina Farms, Agriculture Award; Paul Henderson, McFarland Beautiful Award; and Urpal Hines, Pioneer Award.

I would like for the U.S. House of Representatives to recognize and congratulate these honorees and all members of the Greater McFarland Chamber of Commerce for their hard work and dedication. They embody the free-enterprise spirit that is essential for all American communities to grow and prosper.

CASEY JONES' WHISTLER MUSEUM AND PARK

HON. SONNY CALLAHAN

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. CALLAHAN. Mr. Speaker, I rise today to bring to the attention of my colleagues the restoration of one of the last remaining pre-Civil War railroad structures in the southeast. This structure, the Mobile and Ohio Railroad Machine Shop, is the centerpiece for the development of the Casey Jones' Whistler Museum

and Park in Prichard, AL. The historical significance of the museum and park is twofold. During the Civil War, Union troops destroyed most of the railroad stations in the South. Somehow, the M&O Railroad structure, which was built in 1851, escaped destruction and is one of only three still standing today. In addition, Casey Jones, the famous railroad engineer, lived in what is now the Whistler Historic District of Prichard and was baptized at St. Bridget's Catholic Church on Main Street. You will recall that Casey Jones gave his life in a train crash of the Cannonball Express to save his passengers and crew.

Development of the Casey Jones' Whistler Museum and Park is one of the many projects undertaken by Mayor Jesse Norwood to infuse new life and economic development for Prichard, a city hit hard by unemployment and poverty. I commend Mayor Norwood, the city council, and all the citizens of Prichard for their efforts to promote pride in their community.

THE PRESIDIO CONVERSION

HON. NANCY PELOSI

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Ms. PELOSI. Mr. Speaker, today I am introducing legislation to develop an improved process for moving the Presidio Army Base toward its conversion to a national park, and in the direction of greater self sustainability.

The Presidio, by law, is required to become part of the adjacent national park, the Golden Gate National Recreation Area [GGNRA], which is the most visited park in the entire national system.

This legislation is intended as a first step toward addressing my concerns about reducing the costs to the Federal Government associated with this conversion. It would expand the authority of the Secretary of the Interior to negotiate leases beyond the existing authority included in the Concessions Act and the Historic Preservation Act. By granting the Secretary of the Interior the additional authority to obtain tenant leases, the generation of revenues by Presidio facilities would be expedited.

This expanded leasing authority would also create the foundation for a longer-term financing mechanism, such as a public benefit corporation, to take effect. Both the transitional and longer-term authorities are intended to reduce the need for Federal appropriations for the Presidio. The sooner we can move forward with these authorities, the sooner we will reach this goal.

I believe the Presidio conversion process will create a national model for innovative implementation of former military bases to civilian use, and in this case a very high public use. The remarkable natural and cultural features of the Presidio make it a worthy partner in the national park system.

The largest urban park in the United States with almost 20 million visitors annually—7 times as many as Yosemite—

A 200-year military past, dating from 1776, offering the finest collection of military architecture in the country.

A national historic landmark, with over 400 historic buildings.

The world's only biosphere reserve designated in an urban area.

Adjacent to the largest marine sanctuary in the world.

Many rare and endangered species of plant and animal life.

A park that is accessible to diverse urban populations that are often unable to visit more remote national parks.

The Presidio conversion presents our Nation with an excellent opportunity to advance the concepts of global cooperation and resource stewardship where intensive public use by visitors from around the world will offer the potential to present programs to audiences of unprecedented diversity. I look forward to working with my colleagues to realize this important goal for the Presidio, as an outstanding national model of defense conversion.

The House, in a vote on July 15, expressed its support for the Presidio. I hope you will join me in supporting this legislation which will allow the Presidio to generate revenues from its facilities and achieve greater self sufficiency.

GAO REPORT: "RECENT DEVELOPMENTS IN FOREIGN EXCHANGE MARKETS"

HON. JAMES A. LEACH

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. LEACH. Mr. Speaker, the General Accounting Office [GAO] has just released a report on new developments in the foreign currency exchange markets. I requested this GAO study a little more than a year ago after the European currency markets were traumatized by a precipitous decline in the value of the British pound. This decline cost billions of dollars to European treasuries and struck a major blow to the European Community's move toward economic and monetary integration.

In my request to the GAO, I expressed concern over the efficacy of governmental intervention in the foreign exchange markets, especially since it is public funds at risk when central bankers and treasuries buy and sell currencies. I also requested the GAO to assess the role speculators played in precipitating the European crisis and the question of whether the currency markets were becoming less stable, perhaps to the point of posing a threat to the international financial system.

The general thrust of GAO's research findings is that market forces rule today's currency markets, and that while intervention in limited circumstances may be feasible, governments should be chary to bet their treasuries on fixing the exchange rates of their currencies at unrealistic values. While risks exist, the GAO concluded that the currency market is not a "house of cards."

GOVERNMENT INTERVENTION

With regard to the efficacy of government intervention, the report notes that in the long term the international currency market has become too large, too global, too unregulated,

and too technologically sophisticated to be successfully manipulated by governments. Instead, "fundamental forces in national economies, as reflected in interest rates, inflation rates, current account balances, international capital flows, and economic growth rates, determine exchange rates."

As evidenced in last year's European exchange rate mechanism (ERM) crisis, when foreign governments, a la the British, put pride above market forces, private sector money managers, a la George Soros, not unnaturally take advantage of circumstance, and raid the Exchequer. In fact, the press reported that last fall the Bank of England spent \$15 billion in its unsuccessful defense of the pound sterling. The Bank of England's loss was private bankers' gain. With the subsequent devaluations of the Spanish peseta, Italian lira, French franc, and Portuguese escudo, investment banks, and money center commercial banks appear to have discovered a new source of income which inverts their relationship to government. Instead of paying taxes on profits to treasuries, they now, in effect, also tax those finance ministries which out of political hubris have the temerity to speculate in currency markets.

Despite the European experience, the GAO report does not rule out totally the value of government intervention in the short run. Some market participants told the GAO that governments may want to intervene to calm disorderly markets caused by dramatic events, signal confused markets when there are conflicting indicators of economic fundamentals, burst speculative bubbles, or provide needed liquidity during market crises. However, the GAO cautions that success in "influencing exchange rates depends on other parts of a government's macroeconomic policy."

While the GAO carefully has kept open the policy option of public intervention, there is no denying the circumstance that currency markets have gotten so large that no treasury is sufficient to guarantee successful position taking. The rationale for intervention weakens with each passing year, and governments of all capitals, including the United States, have no choice but to be increasingly modest in assessing policy options.

RISKS IN THE CURRENCY EXCHANGE MARKETS

As the report notes, the trading volume of foreign exchange has exploded. Last year more than \$880 billion in currencies were traded daily, an increase of more than 40 percent from 1989. The rapid growth is the result of a number of developments, including an increase in trading participants and the advent of new financial instruments.

Despite these developments, the GAO report sounds no clarion alarm about potential dangers in the foreign currency market. According to the GAO,

Recent studies by the International Monetary Fund and G-10 confirm the observations we heard from some market participants that, while there are issues that need to be pursued, the foreign exchange market is not a "house of cards."

However, two potential risks in the international currency markets are cited by the GAO: customer and counterparty credit risk and payment settlement risk. The Federal Reserve has expressed concern about the latter, particularly the risk that delays in settlement of

accounts on currency trades could trigger defaults by large traders.

The Group of 10 report cited by the GAO also details the kinds of risks present in today's market. Two weeks after I sent my letter to the GAO, Secretary of the Treasury Nicholas F. Brady requested a similar report from the deputies of the G-10 countries. This report was issued in April 1993 and expressed a number of prudential concerns with today's currency markets, including counterparty credit risk.

*** the Deputies are concerned that other developments may have added elements of risk to the environment. With more large participants in financial markets, and more extensive interactions between different participants, problems that have the potential to develop into systemic difficulties can originate from a wider range of financial firms. With the expansion of off-balance-sheet transactions, the creditworthiness of counterparties has become less transparent. . . . With the increased availability of derivative instruments, financial positions that straddle a number of markets have become more prevalent, which has raised the potential for a liquidity problem in one market to spill over into others with possible systemic consequences. With the spread of high-speed communications networks between financial markets around the globe, the potential for large and rapid market reactions to new information has increased considerably which in turn may have reduced significantly the time available for national authorities to formulate their own reactions.

To address these concerns the deputies recommend that individual financial institutions revise and strengthen their internal controls to minimize excessive positions.

It is important to observe that one reason why no financial meltdown occurred last fall with the ERM crisis was that it was sovereign governments which took the hit as opposed to private sector actors. As noted in the G-10 study, significant problems might have arisen if several large institutions had suffered large losses.

It is my concern that if problems develop in the currency marketplace, it is a good bet that they will be less likely to stem from the major firms operating in the mainstream, than from firms that are new entrants or operating at the fringes of the market. Any regulation in the currency area must be premised on the assumption that all market participants are not equal in sophistication, integrity, or internal capital reserves and that distinctions must inevitably be made between prudential and less prudential actors. Just as well-run well-capitalized financial institutions have a powerful case for considerable deregulation today, poorly run, poorly capitalized institutions demand significant, if not draconian oversight.

ROLE OF SPECULATION

With regard to speculation, the report notes that while speculators take more risks and leverage their capital more highly than other traders, it is difficult to distinguish speculative trades from others. The GAO found both market participants and academicians who believe that, instead of making the currency markets more risky, speculation may actually dampen market volatility and expand market liquidity.

However, as one who represents an agricultural constituency, which includes some of the

most sophisticated agribusinesses in the world, I would stress that no one knows better than the farmer the fine line between hedging and speculating and the ease with which this line can be crossed.

Human nature being what it is, the prospect of destabilizing speculation in the foreign currency markets should not be ruled out. Financial markets and the risks involved change rapidly. New products are introduced every day and it is often difficult for private sector participants as well as policy makers in government to judge new risks adequately.

While currency trading has become a new, and badly needed, source of profits for large international banks, it could become more problematic if new, less-sophisticated entrants attempt to play leveraged games with other peoples' money. It is therefore crucial, at a minimum, that bank regulators assure that the 1980's S&L circumstance, where profit was privatized and loss socialized, not be allowed to repeat itself in federally insured financial institutions.

SUMMARY

In summary, Mr. Speaker, the GAO report would appear to confirm the proposition that the United States has no particularly unique resource capacities nor clairvoyance to outwit the private sector and like all governments should be skeptical of attempts to manipulate the long-term value of the dollar through buying and selling currencies. The currency market is too big and government war chests too small to dictate exchange rates.

While Congress and Federal regulators do need to stay alert to new risks in this market, particularly as they relate to derivative products, the other significant GAO finding is that the international trading system gains certain benefits from a vibrant currency market and is not at this stage overly threatened by currency speculation. Market participants may if they speculate mistakenly be burned, but the system itself is viewed as flexible enough to withstand rather rigorous buffeting.

The GAO has presented Congress an optimistic assessment of circumstances as they exist today. One can only hope that it is right. But I must confess to lingering doubt. Given the magnitude of the market, its growth rate, and the rapid development of new financial instruments, often of a leveraged variety, it stretches credulity not to believe that mistakes of greed, corruption, and negligence won't increase in currency trading, with the consequences of any mistakes becoming magnified with each passing day.

What follows is the GAO report:

[General Accounting Office, September 1993]
INTERNATIONAL FINANCE; RECENT DEVELOPMENTS IN FOREIGN EXCHANGE MARKETS

(Report to the Hon. Jim Leach, Ranking Minority Member, Committee on Banking, Finance and Urban Affairs, House of Representatives)

GENERAL ACCOUNTING OFFICE,
Washington, DC, September 24, 1993.

HON. JIM LEACH,
Ranking Minority Member, Committee on Banking, Finance and Urban Affairs, House of Representatives.

DEAR MR. LEACH: As you requested, we reviewed emerging issues in foreign currency exchange markets. This report summarizes the briefings we gave you and your staff.

Specifically, in this report we discuss (1) developments in the foreign exchange market, (2) the economics of foreign exchange rate determination, (3) the role of speculation in foreign exchange trading, (4) the efficacy of government intervention to influence exchange rates, and (5) the European Exchange Rate Mechanism (ERM) crisis in September 1992.

BACKGROUND

Exchange rates can be thought of as the "price" of one currency expressed in terms of another currency. Since the Bretton Woods system of fixed exchange rates collapsed in the early 1970s, major industrial nations have relied primarily on market forces to set the value of their currencies on foreign exchange markets. In these markets, investors, and businesses conducting international commerce, buy and sell currencies primarily through a network of banks and brokers. While investments in foreign currencies (or securities denominated in foreign currencies) can be long term, there are substantial short-term movements of funds in response to actual and expected exchange rate changes.

Governments and central banks still try to influence their currencies' exchange rates as part of their economic policies. For example, 11 European countries have coordinated exchange rate management under the ERM, as part of economic integration within the European Community.¹

RESULTS IN BRIEF

Foreign exchange currency trading has grown tremendously in the last decade because of the globalization of financial markets and increased international commerce and investment. While fundamental economic forces determine long-term exchange rates, the complexity and variability

SCOPE AND METHODOLOGY

Our work required research into numerous sources concerned with foreign currency exchange markets. We reviewed academic research on exchange rates and foreign exchange markets published in economic and financial literature, particularly analyses of recent developments. Our description of the foreign exchange market and events surrounding the ERM crisis are based upon recent studies by groups including the International Monetary Fund, the Bank for International Settlements, and the deputies of the Group of Ten (G-10).² (See bibliography.) We also talked to U.S. officials at the Treasury Department, the Board of Governors of the Federal Reserve System, and the Federal Reserve Bank of New York. We interviewed several foreign exchange traders from commercial banks, an investment bank, and a brokerage firm to understand the perspective of market participants; however, we did not randomly sample market participants.

We did our work from January to May 1993 in accordance with generally accepted government auditing standards.

DEVELOPMENTS IN THE FOREIGN EXCHANGE MARKET

The foreign exchange market has changed over the past decade, becoming much bigger and more complex. Such market changes include (1) trading volumes that grew over 40 percent, to \$880 billion a day between 1989 and 1992; (2) faster reactions to events; (3) new participants, including

These changes result from the globalization of financial markets and increased international commerce and investment, including fewer international capital

Footnotes at end of article.

controls, new technology, and reduced government regulation. Historically, foreign exchange trading was primarily based on commercial transactions, i.e., international trade flows, which tended to generate steady offsetting demands for an supply of a country's currency. Today this trading is being overshadowed by trading based on international financial transactions, which may generate more variable demands that move quickly in one direction or another in response to news.

FOREIGN EXCHANGE ECONOMICS

Despite abundant academic research, there is no definitive explanation of what really determines short-term exchange rate movements; the foreign exchange market is far too complex and unpredictable. Much market behavior at any given moment is based on participants' market expectations, which can be influenced by intangibles such as politics, rumor, and group psychology.

Still, the literature shows a consensus among academics, policymakers, and market participants that, over the long term, fundamental forces in national economies, as reflected in interest rates, inflation rates, current account balances, international capital flows, and economic growth rates, determine exchange rates. The confluence of all these powerful forces can create dramatic changes to exchange rates, as the 1992-1993 ERM crisis showed. Furthermore, government actions (discussed in a following section) are unable to dominate the foreign exchange market in the long term; government exchange rate policy must take these market forces into account in order to set realistic objectives.

ROLE OF SPECULATION AND RISK

While speculation and risk are important to the efficient functioning of financial markets, they are always areas of concern to policymakers. Speculators are said to take more risks and leverage their capital more highly than other traders, but the foreign exchange market cannot.

Financial instruments, including derivatives, are often considered "risky," and are used by speculators. But the use of currency derivatives can add liquidity to the foreign exchange market, allow flexible trading (sometimes at lower cost), and can be a form of insurance for users. Derivatives permit a transaction to be divided into particular components of risk. Some derivatives link foreign exchange market trading to other financial markets such as debt and equities. As financial products, they are sources of income for providers. While newer derivatives constitute the fastest-growing segments of the foreign exchange market, highly leveraged types, such as currency futures and options, form only a small proportion of total trading.⁴

Derivatives allow market participants greater flexibility to isolate and hedge specific risks associated with a change in a currency's value. These instruments give market participants the ability to tailor their risk portfolios when investing internationally. Academic researchers and market participants believe that these instruments dampen volatility (except in the most extreme market situations) and have a calming influence by increasing market liquidity, although there is not sufficient research to support or refute this opinion.⁵

The market participants we talked to told us they do not consider the foreign exchange market any "riskier" today than years ago, despite all the changes. However, some told us their concerns focus on improving man-

agement of customer and counterparty credit risk, and improving settlement systems, i.e., payment transfer systems, between participants. Recent studies by the International Monetary Fund and G-10 confirm the observations we heard from some market participants that, while there are issues that need to be pursued, the foreign exchange market is not "a house of cards."

GOVERNMENT INTERVENTION CAN ACHIEVE ONLY SHORT-TERM OBJECTIVES

Governments have used a variety of actions to influence the exchange rate of their currency by affecting its supply and demand. These actions have generally meant (1) establishing capital controls; (2) managing interest rates; or (3) conducting interventions in foreign exchange markets, that is, purchasing or selling currencies in the market.⁶ None of these actions make exchange rate management an easy policy option for most governments. In particular, many argue that (1) capital controls restrict the freedom of markets to operate efficiently, (2) either raising interest rates or inflating the money supply can have adverse effects extending beyond the parts of the economy directly affected by exchange rates, and (3) government intervention may not be effective in all cases. In general, U.S. authorities have thus been reluctant to try to manage dollar exchange rates.

Traditional economic research held that governments could influence exchange rates only by affecting economic fundamentals. However, we found that some recent academic research (using newly available daily intervention data) indicates that, by modifying market participants' expectations, sterilized intervention can affect markets for the short term—that is, weeks or perhaps months.⁷ Although this recent empirical research is not definitive, it raises the possibility that conventional wisdom about sterilized intervention may need to be modified to reflect possible effectiveness in influencing short-term exchange rate movements.

This new academic research does not mean U.S. authorities should become "pro-interventionist," however. Intervention must still have clear and reasonable short-term objectives to be effective. Furthermore, strategies to manage short-term exchange rates must often include international coordination.

While the foreign exchange market is now too big for any such government actions to resist economic fundamentals for very long, government intervention can play a limited role as part of broader coordination on macroeconomics policy. Some market participants we

Intervention strategy remains a highly judgmental undertaking, and success is always uncertain. In evaluating the effectiveness of government intervention, it is important to look at intended policy outcomes and not focus on the increases or decreases in a nation's foreign currency reserves. Championing profitability as the primary measure of success in foreign exchange policy may encourage authorities to take aggressive market positions and actually speculate with a country's reserves, rather than manage them prudently.

MARKET FUNDAMENTALS CREATED ERM PRESSURES

ERM membership committed countries to maintain fixed but adjustable exchange rates as a step toward achieving European monetary integration.⁸ However, a crisis occurred in September 1992 when changes in market demand of tremendous size and speed forced some countries to withdraw from the ERM

and to devalue their currencies.¹⁰ Market participants reported trading volume 2 to 3 times normal. The dynamics of the ERM crisis paralleled those that the United States faced in the early 1970s when the Bretton Woods fixed exchange rate system broke apart, and the value of the dollar was first allowed to float.

The ERM crisis was precipitated by a series of events, including the Danish rejection of the Maastricht Treaty and anticipation of a similar outcome in

The enormous movement of investors to sell or hedge their currency holdings forced several European authorities to try to maintain their exchange rates through (1) massive interventions, (2) large interest rate increases, and/or (3) increased capital controls. Examples of each action included the following: (1) Germany purchased British pound sterling and Italian lira equivalent to over \$40 billion in September 1992, and while the Bank of England's foreign currency reserves dropped \$3.1 billion, to \$37.1 billion, the press reported that Great Britain had spent \$15 billion to defend the pound sterling; (2) Italy raised its official discount interest rate and allowed overnight interest rates to reach 36 percent; and (3) Spain required domestic banks to deposit funds in the Bank of Spain equal to new foreign currency positions.

These actions were not successful, and the British pound sterling and Italian lira were withdrawn from the ERM. Other currencies, like the Spanish peseta and the Portuguese escudo, were devalued against other ERM currencies.

The 1992 crisis has affected market participants' behavior, making them more cautious. The crisis, together with subsequent events, particularly the summer 1993 attack on the French franc, has prompted policymakers to make changes to the ERM. These changes allow currencies to fluctuate within wider bands relative to a basket of European currencies before governments take actions to influence exchange rates.

One long-term outcome of the ERM crisis may be changes to investment flowing between certain European countries. Spanish and Italian financial markets had previously benefited from increased capital flows associated with investors' belief that ERM membership had eliminated most exchange rate risk. Market participants have since revised their perceptions of the risk.

Both authorities and market participants have pointed out that the foreign exchange market was able to handle the huge volume of currency transactions during the ERM crisis. While there were some irregularities, there was no breakdown in trading as in the 1987 U.S. stock market crisis. Generally, participants were still able to buy, sell, or hedge their currency holdings, though some obviously lost money, and trading costs were high.¹²

One U.S. official told us that because the United States does not restrict movement of the dollar as the ERM countries do for their currencies, such violent adjustments to the dollar were unlikely. Also, dramatic attempts to defend exchange rates are less likely to be needed outside of a "fixed" rate system.

AGENCY COMMENTS

We discussed the results of our work with officials at the Treasury and the Board of Governors of the Federal Reserve System. They concurred in our analysis and suggested several clarifications that we included.

As you requested, we plan no further distribution of this report until 30 days after its

issue date, unless you publicly announce its contents earlier. At that time, we will send copies to the Secretary of the Treasury, the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, and other interested parties. We will make copies available to others upon request.

Please contact me on (202) 512-4812 if you or your staff have any questions concerning this report. The information in this report was developed by James McDermott, Assistant Director; Adam Cowles, Evaluator-in-Charge; and Jane Li, Daniel Coates, and Richard Krashevski, Senior Economists.

Sincerely yours,

ALLAN I. MENDELLOWITZ, Director,
International Trade, Finance, and
Competitiveness.

FOOTNOTES

¹Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Denmark, Ireland, the United Kingdom, Spain, and Portugal (that is, all the European Community members except Greece) have participated in the ERM.

²The countries constituting the G-10 participated in the General Agreements to Borrow—originally Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom, and the United States. Switzerland joined in 1984, making the number in fact 11 countries, but the name remains G-10 by convention.

³Many of these new financial instruments are "derivatives." Derivatives are financial contracts whose value depends on the values of one or more underlying assets. Currency derivatives build on traditional "spot" (i.e., immediate delivery) contracts. Derivative types include traditional forward and swap contracts, as well as futures and options. They are traded both over the counter (e.g., dealer to dealer) and on organized exchanges.

⁴Currency futures and options equalled approximately 5 percent of foreign exchange market activity in 1992, according to the Bank for International Settlements.

⁵GAO is currently conducting a study of derivatives, the related risks, how users manage these risks, and the role of government regulators.

⁶Governments can affect the value of their exchange rates by buying or selling their country's currency in international markets. These actions result in changes to the money supply in the country and can have macroeconomic effects (for example, changes in the rate of inflation). Interventions like this are referred to as "unsterilized" interventions. Attempting to avoid these macroeconomic consequences, countries can conduct "sterilized" interventions in the foreign exchange market. A sterilized intervention takes place when the change in the money supply caused by the intervention is offset by some other government action (for example, buying or selling domestic bonds). Under conventional wisdom, sterilized intervention is thought to have a minimal effect on exchange rates.

⁷See Kathryn M. Dominguez and Jeffrey A. Frankel, *Does Foreign Exchange Intervention Work?*, Institute for International Economics (Washington, DC: Sept. 1993).

⁸The massive European government intervention in the 1992 ERM crisis had this effect, even though the intent was to maintain the fixed relationship between the currencies.

⁹Currencies were allowed to fluctuate within narrow but adjustable bands relative to a basket of European currencies.

¹⁰The crisis was generally isolated to European currency trading and did not spread to other financial markets nor to other currencies.

¹¹The Maastricht Treaty establishes a framework for further economic and monetary integration of European Community members.

¹²Bid-ask price spreads widened to 5 to 10 times normal for intra-ERM exchange rates during the crisis; a wider spread indicated that traders were charging more and were less willing to trade because of greater volatility and reduced liquidity in the market.

EXTENSIONS OF REMARKS

IN HONOR OF DOMENIC STALA

HON. MICHAEL BILIRAKIS

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. BILIRAKIS. Mr. Speaker, I rise today to pay tribute to a man of deep courage and commitment, a man born to serve his country and born to lead his community, and my friend—Domenic Stala.

As a member of my Veterans Advisory Council, he was a trusted counselor on veterans issues. The entire State of Florida lost a tireless advocate for the rights of veterans when Domenic recently passed away.

Domenic earned each and every one of his golden years—I won't say retirement because he never really stopped working. He could easily have decided to simply enjoy himself and shut out the rest of the world. That might have been what someone else would have done, but not Domenic.

He was an active member of the Air Force Sergeants Association since the 1970's. He was a charter member and past president of the Air Force Sergeants Blue Dolphin Chapter 527, which just celebrated its 17th anniversary.

He was one of the first presidents of division 5, which includes Florida, Puerto Rico and the Panama Canal Zone. In this capacity, Domenic also served as a member of the international executive council of the Air Force Sergeants Association.

He was instrumental in setting up the Eagle Scout commendation program through the international chapter in response to a recommendation from his Blue Dolphin chapter. Through this program, Eagle Scouts receive a certificate of recommendation from the international chapter for outstanding achievement and exceptional leadership ability in obtaining the rank of Eagle Scout.

While Domenic was very ill in his last years, I never saw him allow his enemy—bone cancer—the upper hand. That just wasn't his way.

Not very often do people with the generosity of spirit of Domenic come along. For so many years, I had the privilege to call him my friend—and I always will. To say he will be sorely missed just isn't enough.

My heart goes out to his family and we all take comfort in the fact that ours were among the many lives he touched in such a special way.

IN HONOR OF FORT BENNING, GA., THE HOME OF THE INFANTRY

HON. MICHAEL A. "MAC" COLLINS

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. COLLINS of Georgia. Mr. Speaker, I rise today to pay tribute to Fort Benning located in Columbus, Muscogee County, Georgia, in recognition of their 75th anniversary. This year Fort Benning received an award as the best large installation in the U.S. Army Communities of Excellence Competition. No installation in America is more deserving of such an award.

Fort Benning is known as the Home of the Infantry. Since 1919, when its first Infantry School class graduated, soldiers from Fort Benning have been among the best trained in the world. The motto of the Infantry School which is based at Fort Benning is "Follow Me" and few soldiers in American history have been more worthy of the phrase than the distinguished soldiers from Fort Benning. Dwight D. Eisenhower, George S. Patton, Norman Schwarzkopf, and Colin Powell each served at Fort Benning, just to name a few. They are indicative of the hundreds of thousands of men and women who have served our Nation with dignity and valor due to their training at Fort Benning.

Fort Benning has a long history of protecting American freedoms abroad. Today United States Army Infantry and Ranger units are stationed in Somalia and Bosnia as peacekeepers. Reports indicate that at least six Rangers from Fort Benning have been killed in

From World War I, to Desert Storm, to Somalia, Fort Benning has provided the U.S. Army with the most well-prepared troops in the world. Fort Benning is presently the home for the U.S. Infantry School, the 29th Infantry Regiment which is recognized as one of the oldest units in the U.S. Army, the 3d Brigade of the 24th Infantry Division, the 34th Medical Battalion, the 36th Combat Engineer Group, the Army Infantry Training Brigade, the 11th Infantry Regiment and the 75th Ranger Regiment, the U.S. Army Marksmanship Unit, Ranger School, Airborne School, the Henry Caro Non-commissioned Officer Academy, and various other important elements. Each unit receives training in the latest battle techniques and trains with the most advanced military equipment the United States has to offer. I have personally witnessed some of the training at Fort Benning. It is tough, but when the troops leave that installation they are ready for any challenge they are forced to face. Soldiers trained at Fort Benning are prepared to lead in any situation, true to their motto, "Follow Me."

The contribution Fort Benning has provided to this Nation is beyond compare. I am glad to honor the dedication service of Fort Benning's commanders, officers, and enlisted personnel. I also honor the Columbus community that has for 75 years provided support for this installation.

TRIBUTE TO THE FELLOWSHIP MISSIONARY BAPTIST CHURCH AND REV. CLAY EVANS ON THEIR 43D ANNIVERSARY

HON. BOBBY L. RUSH

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. RUSH. Mr. Speaker, it is with great pleasure that I rise today to honor my old friends, Rev. Clay Evans and the Fellowship Missionary Baptist Church, who will be celebrating their 43d anniversary together this Sunday, October 17, 1993. I have known Reverend Evans for many years, and his teachings and words of prayer have never failed to inspire me.

Reverend Evans has been active in Chicago for over four decades and has served in several organizations that have come to define

the civil rights movement in Chicago. Besides establishing the Fellowship Missionary Baptist Church in 1950, Reverend Evans was also the founding National Board Chairman for Operation PUSH from 1971 through 1976. He currently serves as National Board Chairman Emeritus. In addition, Reverend Evans is the host of a weekly radio and television program, "What a Fellowship", that reaches listeners and viewers from more than 10 States, and also serves as president of the Broadcast Ministers Alliance of Chicago. His weekly sermon has become a cornerstone for Chicago's faithful.

Mr. Speaker, we, in Chicago, have shared some extraordinary experiences with Reverend Evans and the Fellowship Missionary Baptist Church, and I urge my colleagues to join me in extending to Reverend Evans and the Fellowship Missionary Baptist Church family our sincerest best wishes on this important day.

DUNDALK FREE METHODIST CELEBRATES FIFTIETH ANNIVERSARY

HON. HELEN DELICH BENTLEY

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mrs. BENTLEY. Mr. Speaker, my fellow colleagues, I rise today to congratulate the Dundalk Free Methodist Church upon the celebration of its 50th anniversary.

I consider the role of the church in our community to be of utmost importance. The foundation upon which our Nation is grounded is dependent on its very existence, and is symbolic of the constitutional freedoms we possess. So it is with great respect and admiration that I commend the parishioners and people of the Dundalk Free Methodist Church. Through their faith, charity, and reverence for God, they have made this small community a better place to live.

Fifty years ago, Rev. L.H. Kelley, the pastor of the Edgemere Church, had an urgent desire to see a church established in the Dundalk area. He was able to secure the support of his people, and held the first meeting in Dundalk on October, 1943. Since that date, this growing missionary church has shown a compassion for needy and hurting people, beginning in historic Dundalk and spreading to other parts of the world. This was evident when a group of four church youth participated in a recent mission trip to Mexico. On this mission, through their inspiration and the caring grace of God, they were able to reach many underprivileged persons. At home, the church opens its facility to several support groups. Programs such as TOPS [Take Off Pounds Sensibly] and Narcotics Anonymous have helped hundreds of people with their problems.

The Free Methodist Church is a place where you can make new and lasting friends who care about others. Through the able leadership of Pastor Nathan A. Prouty, the church has witnessed many significant accomplishments. In 1993, Dundalk, Maryland was showcased when the church hosted the 55th annual session of the Maryland-Virginia conference of the Free Methodist Church. Hun-

dreds of followers were brought together, where they exchanged ideas about the problems that plague our society and how to heal them.

Through their many hospital visitations, church members have enriched the lives of many ill people when it was needed most. Prayer support and Sunday School classes have taught moral values to our children and kept them away from negative influences. Regular weekly events for children and teens are held, encouraging them to take an active role in community functions.

The last 50 years have seen many renovations to the church, including a new stained glass window, new carpeting, a public address system and central air conditioning, but its strong concern and compassion for others has remained the same.

Mr. Speaker, my fellow colleagues, it is with great pleasure that I congratulate the Dundalk Free Methodist Church on this momentous occasion.

REGARDING U.S. POLICY ON ASSISTING PRESIDENT JEAN-BERTRAND ARISTIDE

HON. RONALD V. DELLUMS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. DELLUMS. Mr. Speaker, it is with great sadness that I rise to join my honorable colleague, the gentleman from New York, MAJOR OWENS, to address the just reported news of the assassination of Haiti's Minister of Justice, Guy Malary, in Port-au-Prince.

I wish I could also say that it was unexpected, but I cannot; those of us who are familiar with military takeovers know that it is rare for the perpetrators of such coups to relinquish their power willingly. Although at this moment we do not know who the assassin was or his connections, in my opinion such action is further evidence of a resistance to the return to power of President Aristide. I believe that this assassination and the greeting given the U.S.S. *Harlan County* in Port-au-Prince are strong indicators of the situation facing Haiti.

I am reassured that the administration is committed to the principle that a democratic government in Haiti is in the best interest of the United States and that President Aristide is the legitimately elected leader of his country.

It may be helpful to review why we, the United States established its present firm support of President Aristide. He received, in a free and fair election, 67 percent of the ballot; his closest political rival received 11 percent. In recognition of this election and in a firm rejection of the illegal, military coup which subverted the elected government of President Aristide, the United States brokered and supported the deliberations which led to the July 1993 Governors' Island Agreement. It is important to remember that the Haitian military gave assurances that the return of President Aristide to Haiti as the legitimate elected head of the government would be accepted.

The military regime is in gross violation and are renegeing on the formal acceptance of the Governors' Island Agreement.

It is incumbent that we recommit ourselves to working with the United Nations to reimpose the strongest possible multilateral sanctions against Haiti until the appropriate return of President Aristide to Haiti. The sanctions should be imposed against the present military regime and their supporters who benefit from the status quo. Specifically, the sanctions should prohibit: trade with Haiti, especially the shipment of vital supplies, such as oil; landing rights to traffic from Haiti; the issuance of visas to members of the governing junta and their supporters; and freezing of all pertinent foreign bank accounts by members of this group.

We embrace the desires of the people and the leaders of the Caribbean to have their own freely elected government. An essential part of Haiti's history is that the people there have fought for over 200 years to free themselves first from slavery, and then from dictators. Sovereignty is vitally important to the people of Haiti. I think it is critical to utilize the knowledge and influence of political leaders in the Caribbean, such as Michael Manley, former Prime Minister of Jamaica, and to work with these leaders to develop a plan to assist the people of Haiti politically, to rid themselves of the military and reinstall the rightful head of government.

I need to reiterate that the sanctions must be imposed and enforced multilaterally, through the United Nations, and that any nation that violates these sanctions should themselves suffer severe punitive action.

It is essential that we state clearly that should sanctions be violated, that the United States would request that the United Nations establish a naval blockade to enforce these sanctions.

I thank my colleagues for considering these points and ask you to join me in working with our President to adopt these points in support of our principal goals in Haiti.

TRIBUTE TO JOHN HUME

HON. FRANK McCLOSKEY

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. McCLOSKEY. Mr. Speaker, As chairman of the Friends of Ireland, I rise today to commend John Hume, leader of the Social Democratic Labour Party in Northern Ireland, for his years of dedication to seeking peace in that troubled land.

John Hume has recently completed a series of discussions with Gerry Adams, leader of Sinn Fein, the political wing of the Irish Republican Army.

John Hume's express purpose in these talks was to end the violence in Northern Ireland and build a lasting permanent peace. Over the years, he has faced death threats and attacks from extremists and his willingness to persevere in the cause of peace is testament to his courage, conviction, and ultimately his faith in humanity.

John Hume has recently briefed the Government of Ireland and I have included a copy of the Taoiseach's statement for the RECORD.

A leader of the Friends of Ireland, whose membership includes almost a quarter of the

House of Representatives representing Irish-American constituencies of both Catholic and Protestant heritage, I know the Members of this body join me in praying for peace to come to Northern Ireland.

No lasting settlement can occur in Northern Ireland without the active involvement of both the Catholic and Protestant traditions and communities.

John Hume has taken a bold step in the service of peace. His character and dedication to non-violence should be an inspiration to us all. I call upon the political leadership in Northern Ireland and the British and Irish Governments to continue to seek a lasting and just peace.

JOINT STATEMENT BY THE TAOISEACH, MR. ALBERT REYNOLDS, T.D. AND THE TANAISTE, MR. DICK SPRING, T.D.

The Taoiseach, Mr. Albert Reynolds, T.D., and the Tanaiste, Mr. Dick Spring, T.D., this morning met the leader of the SDLP, Mr. John Hume, who briefed them on the position reached to date in his discussions with the leader of Sinn Féin, Mr. Gerry Adams.

The Taoiseach and the Tanaiste took the opportunity to express their deep appreciation of the work done by John Hume over the years in the cause of peace.

The Taoiseach and the Tanaiste believe that the highest political priority must be given to establishing a basis for a just and lasting peace and a permanent cessation of all violence. They will accordingly evaluate carefully the position conveyed to them, and consult with the Government, with a view to ensuring that it can make a very important contribution towards building a consensus for peace. It would be their intention to take full account of it, and decide how best to continue their efforts in their discussions with the British Government for the achievement of the objective of peace on this island.

By definition, this work will require much patient effort and preparation. The Government will not be elaborating in further detail for the moment. A period of reflection, assessment and discussion is now necessary, and the Government believe that in the interests of peace the need for confidentiality should be respected.

The ultimate goal of all parties committed to a peaceful approach must be to reach a lasting political settlement, which can only be achieved on the basis of the widest political dialogue and participation, with the consent of the people living in Ireland, both North and South.

TRIBUTE TO ILLINOIS MARINE HELICOPTER PILOT

HON. ROBERT H. MICHEL

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. MICHEL. Mr. Speaker, I would like to bring to the attention of my colleagues Marine Pilot, Capt. Mark D. Rullman, formerly of Morton, IL, who died September 7, 1993, in a helicopter crash during a routine night training helicopter flight from Twenty-nine Palms, CA.

Captain Rullman served in Operation Desert Storm as an AH-1W pilot in the HMLA squadron. He will be buried at Arlington National Cemetery.

At this time, I would like to insert an article by Jennifer S. Johnson of the Peoria Journal

Star, with my deepest condolences to Marine Captain Rullman's family and friends.

EX-MORTON MAN KILLED IN CRASH

(By Jennifer S. Johnson)

A training accident Tuesday night involving two helicopters at a Marine Corps base in California left all four pilots dead, including a 30-year old man originally from Morton.

Marine Capt. Mark D. Rullman, formerly of Morton, and his colleagues were found about midnight after the AH-1W Cobra helicopters failed to return from a routine night systems instructor flight that involved the use of night-vision goggles, the Marine Corps said.

A search-and-rescue team was dispatched to search for the missing aircraft at about 10:30 p.m. Wreckage from both helicopters was found in the desert about 22 miles northwest of the Expeditionary Airfield of the Marine Corps Air Ground Combat Center, Twenty-nine Palms, Calif. from which the aircraft had taken off.

Rullman and the other three pilots, Marine Lt. Col. Dennis Nelson, 40, of Southport, Fla.; Marine Lt. Col. Lee Lenderman, 42, of Athens, Ga.; and Army Capt. Phillip Curtin, were the only crew aboard the helicopters at the time of the accident.

A board of officers has been established to investigate the accident.

Rullman's parents, David and Anne Rullman of Dunlap, said their son had been stationed at the Marine Corps Air Station in New River, N.C. He had been sent to the base in California for one month's training.

Rullman had been a weapons training instructor whose squadron served seven months in Operation Desert Storm on the USS Nassau. He joined the Marine Corps after graduating from Kent State University in 1986.

He attended Morton High School through his sophomore year, when his family moved to Ohio.

Although Rullman will be buried at Arlington National Cemetery in Arlington, Va., his family is having a memorial service locally for him Monday at St. Thomas Church, 904 E. Lake St., Peoria Heights.

MARK RULLMAN

MORTON.—Memorial services for Capt. Mark David Rullman, 30 of the Marine Corps Air Station New River, N.C., formerly of Morton who was pronounced dead at 8:30 p.m. Tuesday, Sept. 7, 1993, will be at 4 p.m. Monday at St. Thomas Catholic Church in Peoria Heights. Burial will be in Arlington National Cemetery in Washington, D.C.

He died from injuries suffered in a helicopter collision during a routine training exercise at the Marine Corps Air Ground Combat Center in Twentynine Palms, Calif.

He was born Nov. 5, 1962, in Landstuhl, Germany, to David C. and Anne O'Brien Rullman.

Surviving are his parents of Dunlap; one sister, Karen, and one brother, Brien, both of Chicago.

He attended Morton High School. In 1986, he graduated from Kent State University in Ohio where he was commissioned as an officer in the Marine Corps.

He was an AH-1W pilot in the HMLA Squadron which served for seven months in Desert Storm on the USS Nassau.

Arrangements are by Arlington Funeral Home in Arlington, Va.

Memorials may be made to Kent State University scholarship fund.

HAITI—SPINNING OUT OF CONTROL

HON. JOHN CONYERS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. CONYERS. Mr. Speaker, the assassination today of Haiti's Minister of Justice, Guy Malary, indicates that the protection of U.S. citizens, the return of democracy in Haiti and the protection of human rights there, is about to vanish. Without an immediate and effective response by the international community, including the placement of military U.S. troops in Haiti, the gains of the Governors Island accords may be irreversibly lost.

Just before the assassination, President Clinton warned that it would be a "grave error" to impede the return of democracy with physical violence against President Aristide or his ministers. The defiant act of assassinating the minister responsible for creating a civilian police force critical to a conversion to a civilian government, is not only a rebuke to human rights and democracy, but also to the United States and the international community.

The situation is quickly spinning out of control and any assurances of safety for U.S. citizens, or the civilian government is nonexistent. The first obligation of the United States must be to ensure that U.S. citizens are protected from lawlessness and military-sponsored violence. In addition, we should be prepared to support the U.N. mission with peace-keeping troops until democracy and human rights return to the shores of Haiti.

THE COLLEGE FINANCIAL AID PROTECTION ACT OF 1993

HON. EDOLPHUS TOWNS

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 14, 1993

Mr. TOWNS. Mr. Speaker, today I am introducing The College Financial Aid Protection Act of 1993, which will remedy a grave error in the Justice Department's antitrust policy and practice. As some may recall, I introduced this bill in the previous Congress.

In 1991, the Justice Department filed suit against eight colleges (Harvard, Brown, Cornell, Columbia, Dartmouth, the University of Pennsylvania, Princeton, Yale, and MIT). The suit charged these institutions of higher education with violations of the antitrust laws by meeting to discuss financial aid for students who had been admitted to more than one of the participating schools. These institutions meet every spring to reach a common calculation of students' needs and offer the same or similar percentage of financial assistance toward tuition and fees. For four decades, this system accomplished the widely advanced and publicly championed policy of assuring admission based on merit and dispensing financial aid based on need.

However, the Department of Justice, the Federal entity responsible for enforcing the law in the public interest, decided that these discussions rank with breaking up insidious

cartels and monopolies which we have harmed commerce and industry. Once the Justice Department filed suit, seven of the eight colleges (all except MIT) decided that it would be in their best interest to sign a consent decree instead of waging a protracted legal battle. The consent decree binds the colleges to end this cooperative arrangement.

This tuition discussion group, called the overlap group, is not a violation of the letter or the spirit of the law. In a normal antitrust case, businesses secretly and discretely collude to fix prices, terms, or other conditions incident to the scale or distribution of a product or service. These collusive tactics force consumers to pay more than the free market would dictate. The purpose of the antitrust laws has always been to spur legitimate competition based on the merit of the product or service or the ingenuity of the businessman. In this fair fight, the consumers' choice is the determining factor in the success or failure of an enterprise. Ultimately, this competition brings about the best deal for the consumer in price, quality, and availability of goods. The controlling rationale is that the consumer benefits by ceasing any

unfair practice which adversely affects the competitive process.

The Court of Appeals understood this point and ruled against the Department of Justice's position. At this time, the Department of Justice is considering whether to accept the decision of the Appellate Court or to appeal. It seems to me, that this is a monumental waste of financial and human resources. In this case, the practice which the Justice Department finds abhorrent has benefitted the educational consumer—better known as the student—for over 40 years. The colleges have engaged in a socially propitious policy ensuring that tuition discounts are available to enable low- and moderate-income students to attend the college of their choice.

If this consent decree is not overturned, the educational process will be open to bidding wars and the financial aid process will be turned upside down. Universities will dispense academic scholarships via the same dubious mercenary contest which currently controls collegiate athletic awards. After determining amounts of aid to be awarded, the universities will shop for meritorious students like they currently shop for star athletes. Universities with

larger endowments will outbid colleges with smaller endowments for the best students. We will create a Nation in which the best and the brightest students will be lumped together at the biggest and the richest universities. Diversity of thought and opinion will be lost. The social, economic, and cultural interchange will not be an available item in the marketplace of ideals.

Once tuition becomes the pivotal issue, poor and middle-class students will be unable to choose a college based on course offerings, intended area of concentration or any academically based factor. The sole issue will be price. We will no longer be able to encourage young people to attend the college of their choice. Instead we will have to tell them to attend the college that bids the most and offers the best deal.

I introduce this bill to remedy this unwise, unmerited, and unprecedented interpretation of the law. I urge my colleagues to join me in assuring the continuation of financial aid access for poor and middle-income students by cosponsoring the College Financial Aid Protection Act of 1993.